



EUROPEAN ELECTION

Hans Dietrich Genscher is on the way out as Liberal leader. James Buchan in Bonn explains the party's dismal mood

West German FDP licks its wounds and faces a further battering

FOURTEEN more or less reputable political parties and groups are contesting the European elections in West Germany on June 17, but all eyes are on the outlook for just one of them, the tiny Free Democrat Party (FDP).

The three-day FDP party congress in Muenster at the weekend did not look like a launching pad to European heights, although Herr Martio Bange-

careful speech to Muenster on Friday, he promised that there would be no repetition of the unsuccessful coalition agreement to force through an amnesty for tax evasion which had so upset the FDP grassroots.

In connection with party donations. As Herr Genscher himself said, the change of government had left "wounds and scars."

For Herr Kohl, who first sought coalition with Herr Genscher unsuccessfully in 1969, the implications of the FDP's difficulties are depressing.

produce an alternative. A series of possible successors paraded before the delegates on Friday —men about the age of 40, smooth, serious, dressed in the Genscher-style liberal blazer.



Herr Genscher... re-elected for what look like his last two years as party leader with just 62 per cent of the vote.

Healey pours scorn on London summit

BY PETER RIDDELL, POLITICAL EDITOR

LABOUR AND SDP/Liberal Alliance leaders in Britain yesterday launched a parallel, though not concerted, attack on Mrs Margaret Thatcher over her approach to this week's government economic summit in London.



Healey: waxworks jibe

In one of the few memorable phrases of the campaign, Mr Denis Healey, the Shadow Foreign Secretary, told a news conference that the summit would be much better if it was not held at 10 Downing Street but at Madame Tussauds because the heads of government there will simply be waxworks —they will not act to deal with the problems.

Healey was waxworks jibe. The Conservative leadership replied by attacking the record of Mr Healey and Dr Owen. Mr John Selwyn Gummer, the Tory chairman, said that Alliance policies would raise interest rates to the worst levels in the world.

However, the Tories faced a predictable discordant note from Mr Edward Heath, their former leader. He said that either EEC members must choose to exercise influence in the world through the Community or not to exercise it at all.

Mr Genscher's aimable intervention was followed by one from Mr David Steel, the British Liberal leader, that certainly did not lack gravitas. No joyful conviviality here. No joining of hands across the water, Liberals in Europe, Mr

Danish 'anti' vote forecast

BY HILARY BARNES IN COPENHAGEN

THE PEOPLE'S Movement Against the EEC will increase its representation in the European Parliament from four to five of Denmark's 16 seats, according to Mr Ib Christensen, leader of the Single Tax Party.

For the Movement is stronger than ever before and has turned the election into a campaign for or against Denmark's continued membership.

Dutch voice dissatisfaction with U.S. unitary taxation proposal

BY WALTER ELIS IN AMSTERDAM

THE DUTCH Government expects Mrs Margaret Thatcher, the British Prime Minister, to raise the dispute between the U.S. and a number of its trading partners over unitary taxation during this week's London economic summit.

the problem. The U.S. senior inter-agency group for international economic policy, chaired by Mr Regan, has suggested in an interim report that multinationals in the U.S. should be taxed in future only in relation to their U.S. earnings.

Unitary taxation is the practice whereby 12 U.S. states, including California and Florida, tax local subsidiaries of multinational companies on the basis of their worldwide earnings. Dutch and British companies are among the worst hit, as the Japanese and others are affected. It is claimed by agents of the system that it "violates international tax law by causing double taxation of profits."

needed help most. SDR rights went in proportion to the amount of capital or the percentage of the institution held, and the effect of increasing access and liquidity would be to direct funds to the industrialised countries.

Such a development, he said later, would not benefit the developing countries that

NETHERLANDS: WIDESPREAD ANGER WITH BRUSSELS AMONG PUBLIC AND POLITICIANS Liberals try to keep sights set above domestic politics

COINC ALL-OUT for star appeal, the Dutch Liberal Party (VVD) has been wheeling on imported big names to brighten up its television campaign for the European elections. Thus it was that the increasingly skulking Valery Giscard d'Estaing, the former French President, exhorted viewers in the Netherlands last week to vote Liberal.

Steel solely assured us, were not concerned solely with the size of the EEC budget. No. There was banking and insurance, too. A touch parenthetically, he ended with a quick word in favour of world peace, arms control and that sort of thing.

obliged by the noblesse of power, are less international in their approach to the election. It is not for nothing that Labour —which now has nine MEPs and is hoping for the round dozen— would be interpreted by the party as a successful censure motion against the Government.

wants action from Brussels on farm prices, fisheries and, most of all, jobs. But the main thrust of the attack is on the Government at home, and the issue of cruise missile deployment is more real than anything that derives from the Community.

drawn from lists in accordance with support given and ranking on the list itself. There are 25 seats and 680,000 inhabitants to every MEP.

Farmers feel badly let down by the recent agricultural price-falling, which could cause real damage to the Netherlands' super-efficient dairy industry. Fishermen are indignant over what they regard as an inequitable share of the herring harvest.

It would have helped, of course, if he had remembered the initials of the party to which he was giving his fraternal support. Instead, it was from within an undisguised, and un-Giscardian, wreath of smiles that the one-time head of state urged his spinning of the head... D. J. van Veen, a (co)rded spinning of the head... D. J. van Veen, a (co)rded spinning of the head...

Viewers may have perked up at the mention of peace, which is an abiding passion in the Netherlands (and has little to do with the European Parliament). But banking and insurance? Not the stuff to get the adrenalin flowing in the polders.

Socialists in the Netherlands are, without doubt, as committed to the noblesse of power, are less international in their approach to the election. It is not for nothing that Labour —which now has nine MEPs and is hoping for the round dozen— would be interpreted by the party as a successful censure motion against the Government.

Anti-immigrant feeling is concentrated in the main cities, and especially Rotterdam, but the fact that there is a single national constituency means that the CP man could well win a seat. Only 4 per cent of the vote is required.

Last time out, in 1979, the Christian Democrats, now led by the present Prime Minister, Mr Ruud Lubbers, won 10 seats. Mr Joop den Uyl's Labour Party came next, with nine seats, and then the Liberals, under Mr Ed Nijpels, with four. Democrats '86, a Social Democratic grouping since fallen on hard times, won two seats but is confidently expected to lose both.

There is also, inevitably, a feeling that the Community has done nothing to help bring down unemployment, which in the Netherlands affects 16.5 per cent of the working population. Even at official level, there are signs of disenchantment. The Government has just announced that it wants to cut back on the Dutch allocation to the Community's regional development fund.

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Yes, Labour is in favour of a joint approach to Europe's difficulties, and, yes, Labour

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Mr Howell counters Labour's charge that the CAP is a fool's paradise by accepting that agricultural surpluses will have to be phased out eventually, but insisting that the Government will be "sympathetic" to the special circumstances of the industry.

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NORFOLK: CONSTITUENCY BATTLE JOINED OVER DOMESTIC ISSUES Labour seeks to turn election into referendum on Government

NORFOLK, where the Conservatives won a clean sweep in last year's Westminster elections, and where they hold all but one of the district council seats, is an important seat for Labour.

Mrs Barbara Castle, leader of the Labour group in the European Parliament, and a formidable campaigner for more than 40 years, surprised an election meeting audience in Norwich by claiming that Norfolk was the acid test of the party's recovery.

and qualified supporters of the Community, like Mr Bryan Heading, the Labour candidate in Norfolk, to work together in a common struggle against Thatcherism, leaving the details of European policy to be worked out later.

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Oslo lifts foreign banks ban

By Fay Gjester in Oslo

THE NORWEGIAN Parliament has approved legislation on opening the way for foreign-owned banks to be established in Norway.

Truck output forecast to rise 5-6%

BY JOHN GRIFFITHS

THE SLOW recovery in demand for trucks over 3.5 tonnes experienced by the UK and West Germany in 1983 should spread through Europe this year.

Truck output forecast to rise 5-6%

Table with 4 columns: Country, 1983, 1984, 1985. Rows include West Germany, France, UK, Italy, Spain, Sweden, Netherlands.

In West Germany, a further small rise in truck sales is forecast this year but, points out DRI, "the current metalworkers' strike poses a considerable threat to the West German industry's chances of taking advantage of the broader European recovery."

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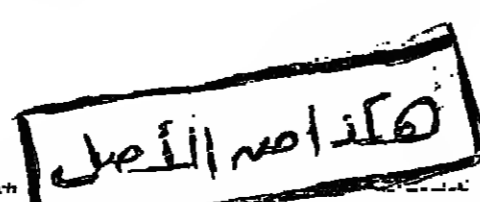
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بازار جهانی

# EUROPEAN NEWS

## Soviet attacks on Bonn may herald cooler relations

BY LESLIE COLITT IN BERLIN

THE SOVIET UNION has stepped up its attacks against West Germany in what may be the overture to a cooling in relations between East and West Germany.

Pravda, the main Soviet Communist Party newspaper, accused West Germany of undermining relations with East Germany by speaking of German unification and by refusing to recognise East German citizenship. It said that the West German permanent mission in East Berlin was guilty of "interference in the internal affairs of East Germany."

A close working relationship has developed between the head of the permanent mission and Herr Erich Honecker, the East German leader. One East German official in East Berlin said that the Soviet attack amounted to criticism of Herr Honecker, who had been planning to visit West Germany later this year.

Herr Honecker failed to echo Soviet charges against Bonn in a speech in East Berlin in which he spoke again of East Germany's readiness to continue its dialogue with the West.

Only last week, he received school children and teachers from the West German state of the Saarland, where he was born. This was seen as a sign of Herr Honecker's continued interest in visiting the Saar, which was to have been on the itinerary of his first official visit to West Germany.

East European officials note that Herr Honecker's policy of improving relations with Bonn even after the deployment of new U.S. missiles in West Germany last November could not have taken place without Soviet approval.

However, the Soviet Union is believed to have decided it was time to alternate wooing West Germany with a warning.

## Soares gets ultimatum on financial reforms

By Diana Smith in Lisbon

PORTUGAL'S Social Democrat Party (PSD), junior partner in the ruling coalition led by Sr Mario Soares, has given an ultimatum to the Socialist premier.

If financial and structural reforms are not made by late summer, the PSD will renounce its government pact with Sr Soares's Socialists.

Among the reforms demanded by Sr Carlos Mota Pinto, leader of the PSD and deputy premier, are quicker authorisation for new banks, and a review of interest rates which are punitively high in Portugal. Interest collected in advance on short term loans brings the real rate on such loans to about 42 per cent.

Sr Mota Pinto's ultimatum was echoed by the PSD caucus at the weekend. He has been accused lately by party colleagues of drifting in the Socialist's wake and his abrupt ultimatum has underlined a move to persuade the PSD, a party with a history of infighting, that he is a strong leader.

The ultimatum almost coincides with a sweeping medium-term recovery programme to tackle Portugal's five weakest points: the debt-ridden public sector, undercapitalised private companies, hard-pressed nationalised banks, the absence of regional policies, that would allow Portugal to make use of EEC regional funds, and a complex tax system.

Before the programme could be completed, months were spent digging into the chaotic accounts, now reorganised, of a public sector that has limped through 14 changes of government in the nine years since its creation with constant changes of management and political bias. Many of the PSD's demands are likely to be met by the programme.

Meanwhile the Communist-dominated trade union confederation (CGTP) set up a huge weekend demonstration in Lisbon to protest against recent food and fare price rises and to call again for the fall of the coalition. The Government is tightening security after another manager was shot at the weekend by terrorists of the Forças Populares 25 de Abril (FP-25) an urban guerrilla group. He was saved, however, when a bullet, aimed at his heart, hit his waist. The group has shot managers in the public or private sector whom it accuses of misappropriating company funds and mismanagement.

## Moscow and Romania paper over differences

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

LEADERS of the Soviet Union and its most erratic ally, Romania, yesterday papered over some of their bilateral policy differences with a declaration singling out the U.S. as the "main source" of tension in the world and urging Nato to withdraw its new U.S. missiles as the "real road" to resumed nuclear arms negotiations.

Meeting in the Kremlin, Soviet President Konstantin Chernenko and President Nicolae Ceausescu of Romania "expressed the conviction that a restoration of the situation that existed prior to the deployment of the new American missiles in Western Europe

would open a real road to talks on nuclear arms," according to Tass, the Soviet news agency.

The statement was a clear compromise less strident than recent Soviet rhetoric but less even-handed than previous Romanian comment. Romania has been the only Soviet ally to press the need for a resumption of the Geneva nuclear arms talks which the Soviet Union left last November, as well as showing the independence of mind to be the only Soviet bloc country to attend the forthcoming Los Angeles Olympic Games.

There was no Tass comment on whether the issue of participation in the Games was discussed between the two leaders.

But, in advance of Mr Ceausescu's visit to Moscow, the Romanian Communist Party newspaper, Scinteia, noted in a long article that inside the communist camp "it is inevitable for different opinions and viewpoints to occur in solving questions related to socialist construction and in assessing international developments."

Open admission of differences is most unusual in the East bloc, but Scinteia, with an eye to the Moscow meeting, said they should be settled in a "comradely way."

Differences over "socialist construction" turn on the direc-

tion which next week's long-awaited summit meeting of the Soviet bloc party leaders should take Comecon, the East bloc's trading organisation, Romania has been pressing for Soviet oil supplies at the relatively cheap intra-Comecon price like other East European allies, and has begun to rue this consequence of its refusal in the 1960s and 1970s to take part in a number of Comecon programmes.

Presidents Chernenko and Ceausescu stressed the "major importance" of next week's summit, the first for 13 years, according to Tass. But there was no indication of whether

they discussed or settled differences over Comecon.

Romania's refusal to toe the Soviet line on the Olympics cannot have increased Moscow's willingness to give it equal access to cheap Soviet raw materials, particularly at a time when domestic Soviet oil output has hit a plateau and deliveries are being restricted to more loyal Soviet allies.

At the same time, Romania's decision to attend the Los Angeles Games will do it no harm with the U.S. Congress which must decide by the end of this month whether to renew most favoured nation tariff treatment for Romanian goods

## Yalta to lure tourists from Italian resorts

YALTA - The Soviet Union is planning to lure more holidaymakers from the Mediterranean to the playground of the Russian tsars in a bid to widen its share of the Western tourist market.

The Black Sea resort of Yalta - once the royal summer residence and now the favoured holiday spot of the ruling Politburo - offers those tired of Spain and Italy a more exotic setting with the same mixture of sun and sea.

The Tsar's yacht may no longer berth at Yalta's crowded harbour, and the rich and titled may no longer stroll through its sculptured parks, but in other ways the small Crimean town has retained its old-world charm and refinement.

It also boasts blazing hot summers, clean seas and the chance to retreat from the beach to the cool, lush hillsides of the Crimean mountains.

Now the Soviet holiday organisation, Intourist, has geared up to turn these natural riches into hard currency. Work has just been completed on a hotel complex in Yalta, and Moscow is mounting a major advertising campaign in western Europe.

Intourist officials say they aim to double the number of Western visitors to Yalta to more than 40,000 this year, and they plan further expansion.

The new Yugoslav-built hotel houses 3,000 guests at a standard

comparable to similar tourist blocks in the West. The state airline, Aeroflot, is operating direct flights to West Germany, Britain and Finland to ferry in the customers.

Officials say they are aiming at the mass package holiday market rather than the more well-heeled travellers, and the type of Westerner staying at the hotel suggests they are having most success with the middle-aged and elderly.

For those daunted by an image of the Soviet Union as a drab and grey country, the Crimean coast is a pleasant surprise.

Well-paved roads link the resort to Crimea's airport at Simferopol, beyond the mountains. In Yalta itself, the tree-lined streets are tidy and cheerful colours.

City authorities have even posted street signs in English as well as Russian to make visitors feel at home.

Holidaymakers hoping for a glimpse of President Konstantin Chernenko and other Kremlin leaders are likely to be disappointed. Their special villas in the village of Oreanda are sealed from public view and the politicians rarely emerge.

Visitors are free to wander around the Livadia palace built for the tsars in 1863 and to enjoy its vast and magnificent gardens.

Reuter

## Violence trails National Front across France

BY DAVID HOUSEGO IN PARIS

THE growing violence surrounding the political campaign of the extreme Right-wing National Front movement in France was dramatically highlighted yesterday by a bomb that ripped apart a large public ball in Toulouse.

M Jean-Marie Le Pen, the Front leader, was due to have held an electoral meeting in the ball tonight as part of a series of rallies at which he has been speaking during the European election campaign.

On almost every occasion police have had to intervene to halt fights between supporters and the extreme Left. Public opinion polls suggest that the National Front, which is exploiting racial issues, could pick up 7 per cent of the votes in the election.

President Mitterrand of France will visit Moscow in the second half of this month, the Soviet Union said yesterday. The announcement, which the Elysee Palace would neither confirm nor deny, appears to end weeks of speculation in the West on whether he would go ahead with the trip and may indicate that France has been given some assurance on the condition of Dr Andrei Sakharov. French officials had suggested that the visit could be affected by Dr Sakharov's treatment. A brief report by Tass gave no date for the visit.

Yesterday's explosion, which occurred in the early hours of the morning, had not been planned by any political group. But the walls of the hall had been painted with swastikas and slogans attacking M Le Pen. The violence seems intended to precipitate the Third World as Hitler tried to extract before the Second World War.

In another anti-immigrant speech, he declared that France

must "occupy its living space because, if we do not, others will seize it in our place... if we let them enter, what was the point in sacrificing a million and a half people to prevent German immigration in the 1913-18 war?"

In often coarse language, M Le Pen is as scathing about the traditional parties of the Right as he is of the Left. He accuses the Liberals of selling France to the Left, and says that they will be victorious. But it will be in the name of the Right that he will triumph, he says. He says that they will be victorious, and M Le Pen's roll-call delivery, have attracted large audiences and cut into the traditional support of the neo-Gaullist RPR party.

## Protests as Botha goes to meet Kohl

BONN - Mr F. W. Botha, the South African Prime Minister, arrived in West Germany yesterday for a three-day visit, on the latest stop of his tour of eight European countries.

He is due to meet Chancellor Helmut Kohl this morning while Mr P. W. Botha, the South African Foreign Minister, has talks with his West German counterpart, Herr Hans-Dietrich Genscher. The four will then meet together. Mr P. W. Botha is also due to meet President Karl Carstens.

Anti-Apartheid protesters plan a rally and a vigil outside Herr Kohl's office. He, like other Western leaders whom Mr Botha has met, is expected to voice his opposition to South Africa's policy of racial segregation. The opposition Social Democrats (SPD) said yesterday that they would make clear their rejection of Apartheid during the visit.

Mr Botha meets the SPD leader, Herr Hans-Jochen Vogel today and tomorrow he is due to have talks with Herr Franz Josef Strauss, who leads the conservative Christian Social Union.

The SPD deputy floor-leader Herr Horst Ehmke said in an interview that his party supported efforts to bring about majority rule in South Africa peacefully.

He said that the SPD wanted concrete political and economic measures to bring swift and peaceful change towards democratically legitimate, pluralistic rule in the region.

In Frankfurt, a bomb exploded early yesterday morning outside a branch of Deutsche Bank in the city's fashionable west end. Slogans were daubed on an outside wall of the bank protesting against "Nato imperialism" and against "Botha and other fascists and racists." Other slogans proclaimed solidarity with the "fight for freedom in South Africa."

Reuter

## One in five jobless in Spain

BY TOM BURNS IN MADRID

ONE IN FIVE Spaniards of working age is jobless according to figures for the first quarter of 1984 released by the Government's National Statistics Institute.

The report showed that unemployment increased by 233,200 from January to March this year over the last quarter of 1983, to stand at 2,639,900, a figure which represents 19.9 per cent of a working population of 13,204,000.

The unemployed total at the end of March, according to non-Government sources, is reckoned to be closer to 2,750,000 or 20.6 per cent of the working population, as the Institute's report showed a sharp increase in unemployment at the end of the first quarter.

The unemployment total in the first quarter of 1983 stood at 2,319,800 against 2,083,000 in the first quarter of 1982.

Government officials said yesterday that there was a distortion in the 1984 figures; these included about 100,000 agricultural labourers in the southern region of Andalusia. Until the end of 1983 these unemployed workers were hired by local authorities and paid a minimum wage for what was termed "community work." Since the beginning of this year they have been included in the jobs total and a proportion of them receive unemployment benefits.

The Spanish unemployment rate is now reckoned to be the highest among industrialised nations. In the first quarter of 1984 103,000 jobs were lost in the private sector against 82,000 jobs in the same period in 1983.

The trend puts even further out of reach the Socialist Government's key election pledge 18 months ago of creating 800,000 jobs. Government officials believe that to create jobs the Spanish economy must

grow by more than 3 per cent a year in real GDP terms. GDP growth last year was about 2 per cent.

A worrying feature is that an estimated 60 per cent of the jobless total are 25 years old or younger. It is thought that 150,000 new job seekers enter the labour market every year.

Unemployment benefits in Spain cover the redundant worker for a maximum of 18 months. The high proportion of young people among the unemployed suggests that the traditional family structure in Spain cushions the social and political effects of unemployment.

There is also believed to be an increasingly active underground or "black" economy. A report commissioned recently by the Communist-led trade union, the Workers Commission, indicated that about 400,000 could be employed in an underground economy in the Madrid area alone.

## Walesa says Solidarity will win struggle

WARSAW - Mr Lech Walesa, leader of the banned Solidarity trade union, was reported yesterday as predicting after Mass on his name day that the union would win its struggle with the authorities.

"Solidarity still exists and we will be victorious. But it will take time," he was quoted as telling several hundred supporters who gathered outside St Brygida's church in his home town, the port of Gdansk, after the service.

His friend and confessor, the Rev Henryk Jankowski, said Mass before an estimated 8,000 people in honour of St Lech. Poles celebrate the day of their saintly namesakes as Westerners do birthdays.

He said that outside the church many worshippers applauded Mr Walesa, who spoke briefly as he left. There were no police incidents after the service.

AP

**Janet and John**

This is Janet. This is John.

Come John, come. See Father's office. See how big it is. See the nice machine.

Come John. Press the button. Press the button, John. See it light up. See the nice pictures. See all the words.

I like the machine. Turn the knob. Look John. Another picture. Press the button. See how the copy comes.

See how quickly the pages go. They go very fast. Go fast, machine.

Good-bye, machine! Good-bye!

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## OVERSEAS NEWS

## Sikh temple sealed off by army

By John Elliott in New Delhi

THE INDIAN army yesterday laid siege to the Sikhs' Golden Temple buildings in Amritsar on the second day of its occupation of the northern state of Punjab.

The Government hopes to be able to force terrorists to leave the temple without the army having to stage a gun battle which could lead to serious repercussions and Sikh violence elsewhere in the state.

Last night, as the army attempted to tighten its grip on security, the risk of a rural backlash was illustrated by reports of a march by about 4,000 Sikhs from Punjab villages assembling to march on Amritsar. They were stopped by the army under a total curfew which is being continued until 9 pm today.

"Our forces will avoid entering any place of worship, but if necessary the extremists will be asked to come out," a senior Home Ministry official said in New Delhi.

The armed forces had been given a mandate to combat terrorism in the whole of the Punjab.

Troops have set up posts around the Golden Temple at a range of about 200 yards and have installed themselves in barricaded high buildings. Early yesterday firing broke out between the troops and Sikhs inside the temple

Colin Chapman in Sydney reports on Australia's plan to peel back protection  
Lean times ahead for cossetted car-makers

THERE IS no other country in the world with a population of 15m or less and five full-scale motor manufacturers. There is no other Western car manufacturing nation where market forces have been so turned on their head by government intervention, and where the outcome is exactly the opposite of that intended — dearer cars, fewer jobs and huge losses.

And there is no other country in the Organisation for Economic Co-operation and Development where the latest technology and the most exciting new cars are not available. The new small international cars from BL, Renault, Volkswagen, Ford, Fiat and General Motors are not to be seen in Australia, even though this is an urban nation, with three-quarters of its people grouped in five conurbations.

The Australian motor industry is one of the most highly-protected in the world, which in itself is a curiosity, in that it is not particularly Australian. All five manufacturers are multinationals — Ford, General Motors, Mitsubishi, Nissan and Toyota — and all but Toyota are 100 per cent overseas-owned.

Of the 13 cars manufactured in this country, only one, the Ford Falcon, a spacious six-cylinder vehicle and the nation's best-seller, has any locally-designed

features of any consequence. Various governments of all political complexions have taken a turn at regulating the motor industry, and as the plans have become more complex and more supportive of local manufacturers, the problems have multiplied. In 1983 General Motors-Holden's lost A\$126.6m (£32m), Mitsubishi lost A\$24.8m, Nissan lost A\$8.1m, and Toyota lost A\$10.1m. Only Ford made a profit, of A\$66.3m.

Under the protectionist regime inherited by the present government of Mr Bob Hawke from Mr Malcolm Fraser's Liberal-National Party coalition, manufacturers have to ensure vehicles have 85 per cent local content. Imported cars suffer a 57.5 per cent tariff, and imports are limited by quotas which guarantee Australian manufacturers four-fifths of the market. It has been possible to bring in cars over and above the quota, but they suffer a penal tariff rate of 150 per cent.

The Fraser government always liked to talk about cutting protection for the automotive industry, but in its eight years in office did nothing of the kind. The driving force for change has been Senator John Button Labour's Minister for Industry. "The cost of protecting the industry is borne by consumers and business

through higher prices for motor vehicles," he said. "These higher prices add to the personal cost of living and business operating costs, thus reducing the international competitiveness of user industries."

With an election pending within nine months, Senator Button could hardly take the industry to the cleaners, or adopt some of the more radical suggestions put to him.

But the thrust of his proposals, although their impact is delayed until after the election is well out of the way, is surprisingly tough. He wants to see the number of manufacturers reduced to three and the number of models cut from 13 to six, and expects thousands of jobs to be lost in the course of greater efficiency. The Bureau of Industrial Economics forecasts that about 15,000 of the 71,000 jobs in the industry will disappear.

Whether the Button plan, which requires federal legislation in August to be implemented, will succeed is highly debatable. There are certainly some ill-considered elements in it, such as the A\$150m over the next five years to encourage Australian design. There are also some concessions to the trades unions, such as higher tariffs new quotas on some light vans and four-wheel drive estate

cars, and grants for the retraining of redundant car workers.

The key element in the new plan is the reduction of the penalty duty on cars imported above the quota allowed by the government. This will be cut next year from 150 per cent to 100 per cent, and then progressively reduced each year until 1992 when it will be 57.5 per cent, the standard tariff rate. Effectively, therefore, quotas then have ended.

The plan means that the Hawke Government is being tougher on the motor industry than any other administration in two decades. Even so the level of protection in 1992 will still be about four times the level for Australia's manufacturing industry in general.

It is anybody's guess as to who will quit manufacturing in Australia. All five manufacturers have expressed a fervent desire to remain, and it looks as if all of them will fight to the death, seeking first major cost reductions from suppliers and component makers, and then further automation and increased productivity.

Ford, as the market leader, with high production runs, is likely to do best, and General Motors, which has fallen from top spot to number three in two years — and lost over A\$300m over four years — is also likely to stay the course.

Mitsubishi, based in Adelaide, may have problems because it will have nothing new to offer the market as a replacement for its dated Sigma, sold in Europe as a Lonsdale, until 1988.

Toyota and Nissan look the most vulnerable, but as multinationals they will be large enough to sustain losses and hold on to good dealer networks until they can bring in large volumes of imports.

The most vulnerable company may not be a fully fledged manufacturer but a car assembler — Volvo, whose 4,000 units a year assembly operation is the only car operation not in a Labor-held state. Under the new car plan, duty on assembled cars from kits will rise from its present 35 per cent to 50 per cent by 1987. The Swedish company may decide it is better to provide work at its base in Gothenburg, if so, Senator Button has pledged a special import quota allocation.

BL made a similar move several years back. Now renamed Jaguar-Rover Australia — the name Leyland is seen as a marketing disadvantage in Australia — it is the motor industry's success story, with turnover rising last year by 20 per cent to A\$198m, and profits rising from A\$800,000 to a healthy A\$11m. All JRA models now bear that special cachet in Australia, "fully imported."

## Japan may play more active role in bid to end Iran-Iraq war

BY JUREK MARTIN IN TOKYO

MR YASUHIRO NAKASONE, the Japanese Prime Minister, hinted yesterday that Japan might be prepared to play a more active role in trying to bring an end to the war between Iran and Iraq.

Any such approach, he told a small group of foreign correspondents here, should follow a prescribed sequence: first preventing an escalation of hostilities, second bringing about a ceasefire and finally negotiating a peace treaty.

"With this sequence in mind and in full consultation with our partners, we will make efforts in this field," he said. While he reiterated the official Government position that Japan cannot act as a mediator or arbitrator unless both Iran and Iraq ask for it, Mr Nakasone did acknowledge that with a special emissary who is currently holding talks in Tehran. The Iraqi Foreign Minister also visited Tokyo two weeks ago.

The general tenor of Mr Nakasone's remarks, even if they were made with the summit very much in mind, nonetheless went further than the usually cautious stance advanced by the Foreign Ministry, which tends to prefer to emphasise the limiting factors on any Japanese initiative.

For example, Mr Nakasone described the fact that Japan has good economic and political relations with both sides as giving it "some leverage" over the combatants.

He also chose to place the Gulf war in the broader context of Japan's role in the world. His country, he said, needed to think of itself as "a global nation," with positive contributions to make in political, strategic, economic and cultural fields.

The Prime Minister described as "most regrettable" that Iran should sometimes be portrayed in the world merely as "an economic animal" or as "an unfair nation." He said that since taking office he had made considerable efforts to dispel this image and to give it a "new horizon" as a nation with much to offer the outside world.

Specifically, Mr Nakasone said he would take up the cause from abroad sometimes by participating in the Summit proceedings. "We cannot," he said, "remain indifferent to starvation."

He also, and more predictably, pledged to lead the fight against protectionism in general and said that Japan would play its part in assisting economic recovery by exercising export restraint. "We must refrain from a torrential rain of exports," he declared.

## Beirut plan delayed

BY NORA BOUSTANY IN BEIRUT

NIGHTLONG shelling and artillery duels delayed the implementation of a security plan for reopening vital access roads between the Moslem and Christian halves of Beirut yesterday.

Kidnappings and violence closed the only inter-city link on the eve of a parliamentary debate on the policies of Mr Rashid Karami's putative Government. This was expected to lead to a vote of confidence, which if passed would legitimise the new government.

Meanwhile communication between Beirut and Jerusalem became more tangled yesterday when Mr Adel Osseriane, Lebanon's Minister of Defence, said the Israeli liaison office north of Beirut had been closed once and for all.

However a telephone call last night revealed that the Israelis were still there. Mr Gadi Golan, the Israeli spokesman said "you are talking to me, aren't you?"

David Lennon adds from Tel Aviv: Israel does not intend unilaterally to close down its liaison office outside Beirut, although this possibility cannot be ruled out in the future, Mr David Kimche the Director General of the Foreign Ministry said in Jerusalem yesterday.

## Iraq offers to exchange prisoners with Britain

BY PATRICK COCKBURN

IRAQ HAS offered to free two British businessmen in jail in Baghdad in return for the release of two Iraqis imprisoned here for the assassination of a former Iraqi prime minister. He was Mr Abd ar-Razzaq an-Nayif who was shot dead in London in 1981.

Mr Taha Yassin Ramadan, first deputy prime minister of Iraq and considered the most powerful man in the country after President Saddam Hussein, made the claim last week in a Kuwaiti magazine. The Foreign Office said yesterday that it could not comment on whether Iraq had offered to make an exchange of prisoners.

Mr Ramadan also said that he was one of those who had ordered the killing of Mr Nayif who had been living in exile in London for several years.

The Foreign Office has always been opposed to any such exchanges of prisoners on the grounds that would open the door to British abroad being arrested to obtain the release of prisoners here.

Mr Ramadan's remarks, virtually admitting Iraq's responsibility for the assassination of Mr an-Nayif who was briefly Iraqi prime minister in the late 1960s, are surprising because of generally improving relations between Iraq and the UK.

## Fears grow of strike by black S. African miners

BY MICHAEL HOLMAN IN JOHANNESBURG

PROSPECTS of a strike by black South African miners grew closer at the weekend when delegates to a National Union of Mineworkers (NUM) Conference reaffirmed demands for a 25 per cent pay increase, more than double the offer made by the country's Chamber of Mines.

The conference of the 70,000 strong NUM follows the breakdown of negotiations two weeks ago, when the chamber offered increases of between 9.5 per cent and 10.9 per cent in response to the union's demand for a 25 per cent rise.

Although the union represents a minority of workers in the industry, any deal will affect the gold mining industry's entire 480,000 black workforce.

Should the two sides fail to reach agreement at further talks, the next move is a formal declaration of an industrial dispute, the first step towards a legal strike.

This year's pay talks are the first real test of strength for the NUM. The union gained recognition from the Chamber of Mines shortly before last year's round of pay negotiations.

Delegates at the conference called on the chamber to table its final offer. "If the chamber is not prepared to make a final offer, a dispute is likely," said Mr Cyril Ramaphosa, General Secretary of the NUM.

The Council of Mining Unions, representing 22,500 white employees in eight different unions accepted a 10 per cent across-the-board basic wage increase at the end of April.

## Cyprus crisis looms

BY ANDREAS HADJIPAPAS IN NICOSIA

A NEW crisis loomed over Cyprus yesterday as the Turks threatened to move settlers to parts of the deserted city of Varosha (Famagusta) despite a recent United Nations Security Council call for the area to be transferred to UN control.

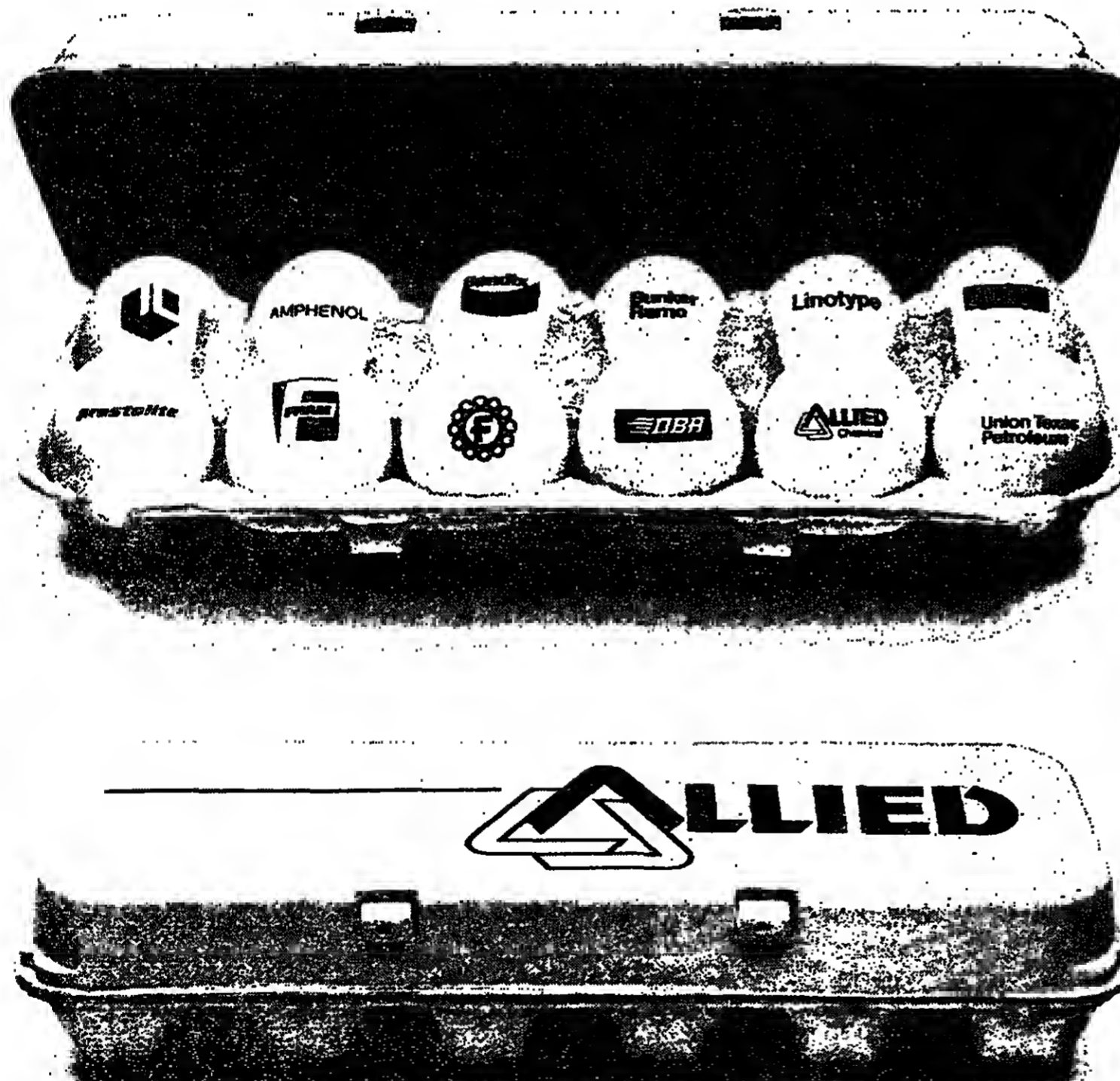
The city, once an important tourist resort on the east of the island, has been deserted since 1974 when its 50,000 Greek Cypriot inhabitants fled south as Turkish troops invaded the island.

In a report to the Security Council released yesterday, Sr Perez de Cuellar, the UN Secretary General, expressed concern at the Turkish

move. He stressed that the status of Varosha was directly tied to the commitments of the parties under the agreement reached between President Kyprianos and Turkish Cypriot leader Mr Rauf Denktaş at their last meeting five years ago.

Mr George Iacovou, the Cypriot Foreign Minister, yesterday met separately the ambassadors of the five permanent members of the UN Security Council and the UN special envoy on the island to protest at the new Turkish actions.

He pointed out that these openly ran counter to last month's Security Council resolution



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WORLD TRADE NEWS

Shell to develop pesticide for Soviet use

By Carla Rapoport

SHELL INTERNATIONAL, a division of Royal Dutch/Shell, has reached agreement with Soviet officials on the rapid development of a new Shell insecticide for commercial use in the Soviet Union.

The deal is seen as a "significant breakthrough" for Shell Agrochemical Division, which launched the new insecticide, Fastac, only eight months ago.

According to Mr. Teerlach MacLean, marketing manager of Shell Agrochemical, the agreement should lead to a doubling of agrochemical sales to the Soviet Union in the next few years. Shell refused to release the current value of its agrochemical sales to the Soviet Union, but said they have been growing rapidly in recent years.

Only last month, Imperial Chemical Industries announced that it had reached agreement with Soviet officials on objectives for collaboration on technology and trade.

Shell said yesterday that the deal confirms the Soviet market as a leading outlet for Shell pesticides. Fastac, which so far is only on sale in Thailand, Czechoslovakia and South Africa, is a highly active insecticide which causes minimal environmental effects.

Caribbean rum war feared over U.S. sales

RUM EXPORTERS in the Caribbean are squaring up for a fight over the valuable U.S. market.

Puerto Rico and the U.S. Virgin Islands, which traditionally account for just over 90 per cent of shipments to the U.S. are worried about the impact of competition from other Caribbean producers being allowed to export duty-free to the prized market.

The removal of duty on Caribbean rum is part of the Reagan Administration's Caribbean Basin Initiative, a package of financial assistance and duty-free access to the U.S. market for a wide range of Caribbean exports.

Rum from Caribbean countries other than Puerto Rico, a U.S. dependency, and the U.S. Virgin Islands had traditionally

attracted duty of \$1.82 per gallon.

Rum producers on these two island groups fear that although production in other Caribbean countries is relatively small, the prospect of duty-free access to a market with a potential of 27m gallons per year would be incentive enough for a dramatic increase in the level of distilling.

That this will be the effect is being disputed by other countries in the region.

"We have not got the capacity to increase production to the extent where we will make any impression on the volumes produced by Puerto Rico and the United States Virgin Islands," said Mr. Edward Seaga, the prime minister of Jamaica, and one of the more avid supporters of Mr. Reagan's

plan.

"Our capacity to increase rum production is very limited, although even this limited increment will be of significant benefit to us."

It was to counter this perceived threat that the Virgin Islands and Puerto Rico made a vain proposal that plans for granting duty-free access to rum from other Caribbean countries be changed.

Both suggested that bottled rum from the Caribbean be imported by the U.S. duty free, while duties be levied on bulk rum imports.

The suggestion, originated by Virgin Islands' Governor Juan Luis, also offered other exporters a rebate on excise duties collected by the U.S., up to a level of \$15m per year.

Puerto Rico ships about 12m gallons to the U.S. each year,

accounting for about 85 per cent all U.S. imports. Of this, about 12m are in bulk, the remainder in bottles.

The Virgin Islands share of the mainland market is about 3m gallons per year, with only 55,000 gallons in bottles.

Other rum exporters in the region saw the proposal for duties on bulk shipments as a less than clever trick, especially as they would not be allowed to exceed the \$15m ceiling suggested by Governor Luis.

A Barbados Government representative described the proposal as being tantamount to an attempt at "... taking our arms and leaving us our fingers." He explained that the Caribbean's smaller producers could not be "... competitive in the U.S. in bottles, given the distance to and the nature of

Jamaica ships about 500,000 gallons per year to the U.S., accounting for only 2.2 per cent of U.S. imports, but earning the island's hard pressed economy just over \$11m according to government figures.

The industry is valuable also to smaller producers such as Barbados, which ships about 85,000 gallons a year to the U.S., the Dominican Republic (43,000 gallons) and Guyana (41,000 gallons).

The first blows in the battle have taken the form of intensive marketing and promotion by both the U.S. dependencies and the other Caribbean producers.

As the outcome of the confrontation will determine the prospects of major distilling companies, some such as Bacardi, the world's largest pro-



Mr Seaga: capacity is very limited.

Lisbon sewerage contract awarded

By Diana Smith in Lisbon

A CONSORTIUM of Portugal's Construccoes Tecnicas and the French sanitation specialists Degremont has won an Esc 52n (£24bn) contract to modernise Lisbon's inadequate sewers and sewage treatment system.

Two consortia involving British interests, Portugal's Somague bidding with Lilley and Portugal's Navelis bidding with McAlpine, competed in the tender. During the April visit of Mr Margaret Thatcher, the British Prime Minister, to Portugal, she took the rare step of raising sewage and British interest in treating it at a formal luncheon in her honour at the British-Portuguese Chamber of Commerce.

Lisbon's original sewage system was installed in 1876 when the population was considerably smaller than today's 2m in greater Lisbon, not much has been done since in the way of efficient sewage treatment. Plans now approved by the municipality call for modernisation of sewer networks, and gradual construction of several treatment stations and conduits that will take effluents out to sea instead of dumping raw sewage, as no happens along the beautiful but dangerously-polluted coastline west of Lisbon.

China signs Belgian investments accord

BRUSSELS — Zhao Ziyang, the Chinese Premier, signed an accord with Belgium yesterday guaranteeing Belgian investors legal protection for their investments in China, Belgian officials said.

Mr Zhao, on a six-nation European tour to encourage investment, signed the accord in a meeting with Prime Minister Leo Tindemans, Econo-

mics Minister Mark Eyskens and three other cabinet members.

A Belgian government official, Mr Lou Declercq, said the accord guarantees repatriation of profits to Belgium and "sets out compensation formulas" if Belgian investments are expropriated. It also calls for settling disputes over investments under international law, he said.

Belgian exports to China rose to Bfr 11bn (£140m) last year from Bfr 2bn in 1980.

Belgian officials welcomed the new accord saying it will likely increase Belgian investments in China. "We are ready to take on the economic challenge with China," Mr Eyskens said.

Zhao, a 64-year-old technocrat who has led the campaign to upgrade China's backward

economy, signed the accord on the first day of his three-day official visit to Belgium. He began his European tour last week in France and will also visit Sweden, Denmark, Norway and Italy. His delegation includes Vice-Premier Zhang Jingxi and Foreign Minister Wu Xueqian.

The mission is due to meet today with European commission officials who last week pro-

posed to widen the EEC's 1978 trade agreement with China to include economic co-operation in such areas as energy, mining, advanced technologies and agriculture.

"We have record exports to China now, but they are not up to their maximum potential," Mr Louis Kawan, the EEC official in charge of dealings with state trading nations.

Congo to get \$25.7m loan

A \$25.7m syndicated bank loan, led by Banque Paribas in London, has been arranged for the Government of the Congo to help finance the building of a 140-km road from Brazzaville to Kindamba. Our Trade Staff reports.

The contract to build the road has been placed with Bovis International. The loan is being underwritten by the Export Credits Guarantee Department.

Pakistan to buy Boeings in \$188m airliner deal

BY MICHAEL AFTAB IN ISLAMABAD

PAKISTAN will buy six Boeing jet airliners worth \$187.7m, under an agreement signed with the American company here.

Pakistan has selected Boeing 737-300 twin-engine jets, preferring them to the McDonnell Douglas MD-82. The short list of two was prepared out of 10 different makes. Both of the aircraft are new models.

Mr R. F. Norton, senior vice-president of Boeing Commercial Airplane Company, and Air Marshal Waqar Azim, managing director of the national carrier, Pakistan International Airlines (PIA), signed the agreement.

Five Boeing 737-300 aircraft will be delivered to PIA in May-June, 1985, while the sixth is due to join its fleet in June, 1986.

The contract includes an offset clause, under which Boeing will purchase from PIA 20 per cent of the total price of the contract in the form of goods.

The items will be manufactured by Boeing according to requirements. These will be identified in the next few weeks. PIA officials said the cost of the spares and machinery items to be sold to Boeing will be worth \$37m.

The medium-range Boeings will operate on the domestic and regional routes to the Middle East, Gulf, and India. Pakistan will also be replacing Boeing 707s and Boeing 720s.

Boeing 737-300s were chosen over MD-82, because Pakistan has shorter runways on many of its domestic routes. These runways will now only be strengthened instead of lengthened, which will result in substantial savings.

Calculations showed that the project had a \$5m lower cost per aircraft, over the 15 to 20 years life-cycle of each aircraft.

PIA will pay 15 per cent of the price from its own resources while the balance will be

financed through credits from American, Western European, Far Eastern and Middle East banks, according to the airline.

The Indian Government will announce purchases of new commercial jet aircraft, worth at least \$2bn, by the end of this month or early July, Mr Kamini Chaudhri, Indian Airlines' managing director, said. Reuter reports from New Delhi.

The aircraft for the country's international carrier, Air India, and the domestic carrier, Indian Airlines, were expected to be delivered in the next five years, he said.

Airbus Industrie of Europe and Boeing of the U.S. have both offered to arrange commercial loans to help India buy the aircraft, he added.

Michael Donne, Aerospace Correspondent, adds: Swissair, the Swiss national airline, is studying both the British Aerospace 146 four-engine regional jet airliner and the proposed new Fokker F-100 two-engine jet, as a bid to find a new aircraft for its own regional short-haul European routes.

The number of aircraft likely to be ordered is not settled, but it would probably be between five and ten initially.

The significance of the Swiss study, from BAE's viewpoint, is that its examination has focused on a new version of the 146, the Series 300, which would be larger than the existing models, seating up to 125 passengers against the 80-100 in the current Series 100 and 200 aircraft.

BAE itself has not yet decided to build the Series 300, but a Swiss order could be the catalyst for such a decision. Other airlines have also been showing interest in the Series 300.

Swissair needs a new regional short-haul jet airliner to replace some of its ageing DC-9 twin-engine aircraft in the mid to late 1980s.

Five-nation aero-engine group seeks bids for pods

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

INTERNATIONAL Aero-Engines, the company set up to build the five-nation, seven-company V-2500 aero-engine for the next generation of civil airliners, is now seeking sub-contractors for the programme.

Members of IAE include Rolls-Royce, Pratt & Whitney of the U.S., MTU of West Germany, Fiat Aviazione of Italy and three major Japanese aero-engine companies.

The V-2500, of between 23,000 and 25,000 lbs thrust, is an offer for the A-320, Boeing 737-300, McDonnell Douglas MD-80 and other new airliners for the mid-to-late-1990s. It is due to enter service in late 1988.

IAE is now seeking bids from potential designers and manufacturers of the nacelles (or pods) to enclose the engine and

hold it in position on the wings of the aircraft involved. Whoever wins the contract could eventually gain business worth many millions of pounds worldwide.

The company, which has its headquarters in Hartford, Connecticut, held a briefing session for potential contractors there last week, attended by 14 companies from the U.S. and Europe.

Although the nacelles are the first major items to be sought by IAE, many other components will be required, including special steels and alloys, pumps, fastenings and couplings.

These will be progressively put out to tender as the engine moves through its design stage into prototype and then quantity production.

S. Korea ship orders down

SOUTH KOREAN shipyards received foreign orders to build 47 vessels totalling 769,000 gross registered tons in the first five months of this year, down from 61 vessels totalling 1,350m tons in the same 1983 period, Reuter reports from Seoul.

The value of orders in the five months totalled \$366m, after \$1.04bn in the same 1983 period.

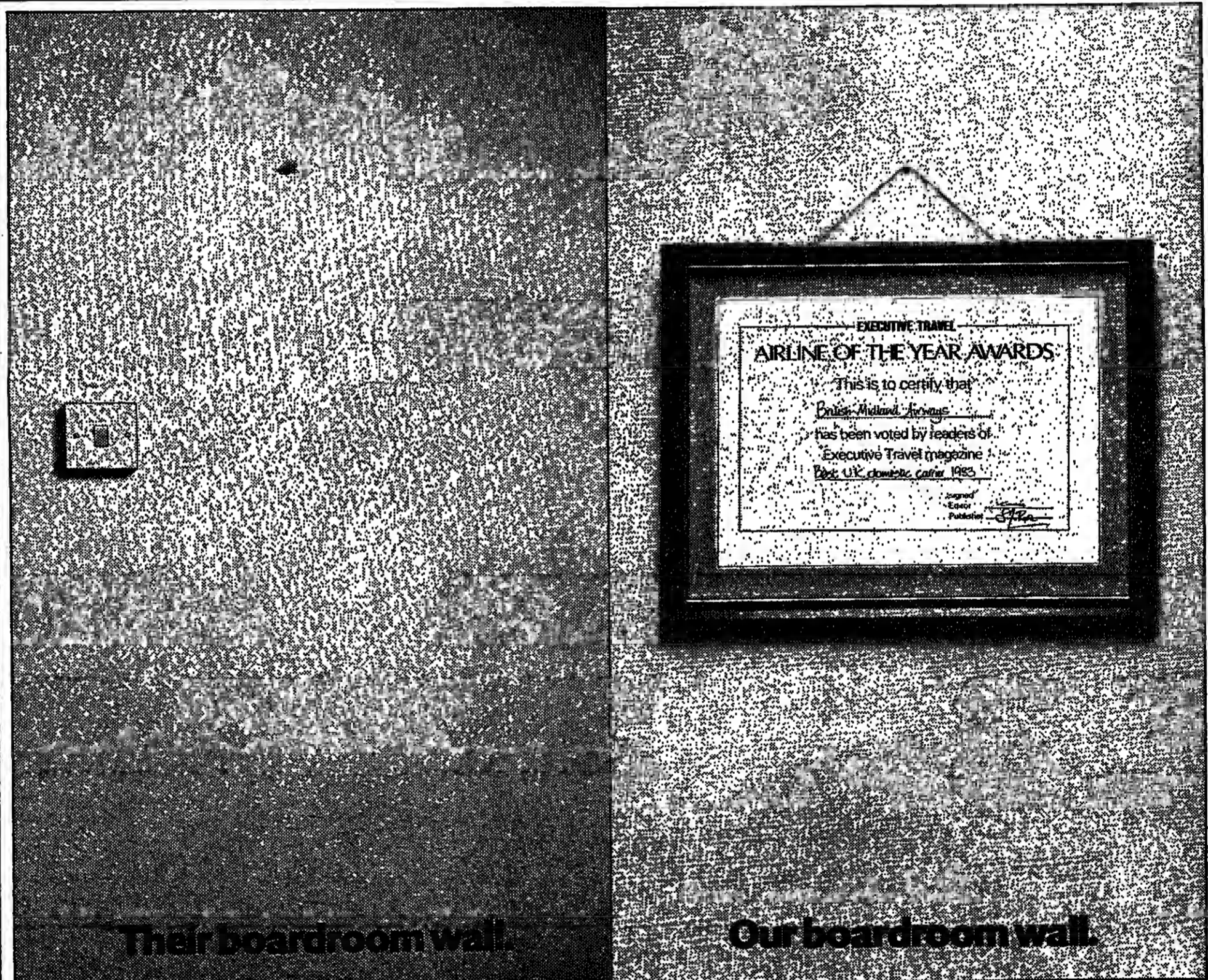
South Korea won \$3.04bn worth of foreign ship orders in 1983 compared with \$1.66bn in 1982.

Agencies add: China has opened its first container shipping line from the northern port city of Tianjin to Western Europe. The service, calling at

Hong Kong, Singapore, London, Antwerp, Rotterdam and Hamburg, is expected to reduce the round-trip time to 75 days from the present 90 days by foreign liners.

In future, two vessels of the Shanghai Ocean Shipping Company will leave China each month for western European ports, one from Tianjin and the other from Shanghai.

The Broken Hill Proprietary Company (BHP) said it will order two large bulk carriers from Japan for delivery from end-1985 at an estimated cost of about \$70m. The vessels, of 220,000 dwt and 147,000 dwt, will be used mainly on the Australia-Japan coal trade



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ITT CANNON REVEALS DEVELOPMENT WORK AT BASINGSTOKE

## Design push for plugs and sockets

BY GEOFFREY CHARLISH

THE IDEA that an electrical plug consists of little more than a few prongs of metal that are pushed into some corresponding holes in a socket is rapidly dispelled by examining some of the products under development at ITT Cannon in the UK.

The company has just moved into a new 380,000 sq ft, £6m plant in Basingstoke and expects to turn over £26m this year. It is in the process of applying robot-assisted assembly automation to machines able to make, for example, 100,000 RS232 connectors a week.

With a staff of about 600, the plant is producing some 5m plugs and sockets a year, satisfying a market which in the UK alone is worth about £180m. The two most important types have been circular multi-pin and printed board edge connectors, but the mix has been broadening.

Today, designs range from relatively low cost RS232 units for the microcomputer industry, to devices that can retard the spread of flame through the bulkhead of burning fighter air-

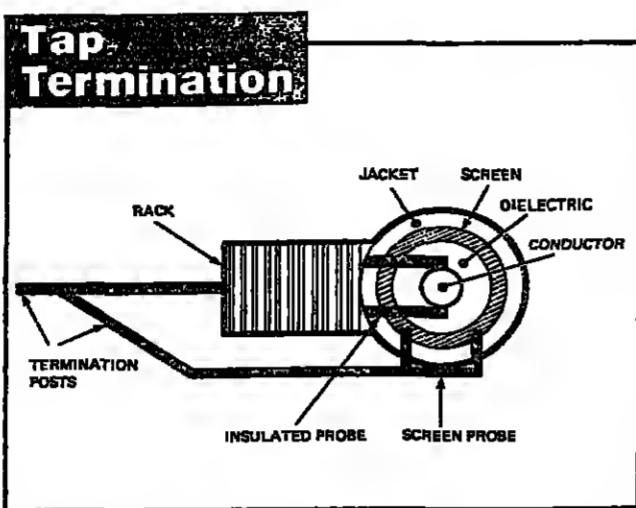
The growth of small computers lies behind changes in product emphasis

craft—while vibrational excursions of 0.25 in. are in progress. Not surprisingly, materials research is a continuous pre-occupation in the company.

Five years ago the emphasis at Basingstoke was on aerospace, military and broadcasting requirements. But with the upsurge of telecommunications and the personal computer industry, new kinds of component have had to be designed, for manufacture in larger numbers.

The trick, according to managing director Michael Dukes, is to keep ahead of the game and "to be ready with the products when the technology matures."

At least two of the developments underway are a direct result of the increased use of small computers in networks. One is a local area network



ITT Cannon has developed a local area tap (above) to connect computer equipment into a single data "ring main." This allows machines' plugs to be inserted at any point in a coaxial cable without causing damage.

(LAN) tap that allows computers and peripherals to be inserted and removed from any point on a coaxial cable without harming it. A local area network is the computer communication equivalent of plugging into a common mains circuit anywhere in the home. The device, which is unlikely to be on the market till next year, uses a knife-blade probe with a "V"-notch at the tip. The probe is forced into the clamped cable using a tiny rack and pinion mechanism operated by an Allen key. The blade makes a thin incision in outer plastic, braiding and coaxial insulation, producing very little distortion of the cable.

As the blade moves forward, the "V"-notch picks up the inner conductor and its inside edges are forced into contact with the circumference. Most of the probe blade is coated so that it makes no contact with the outer braid on the way in. But as the inner is picked up, similar arrangements at the top end of the probe produce a separate contact of the braiding to complete the connection. When the device is withdrawn the incision in the outer plastic closes up and, according to the company, the cable is left unaffected.

connector the size of a thumb nail. To overcome pin-socket location problems, the pins are made from a number of bonded strands to give enough flexibility to ensure mating on insertion. The market for such rectangular connectors is growing at about 25 per cent a year.

New areas appear all the time—the latest is vehicle electronics. There is the dual challenge of high reliability, with similarities to the military market, but at a low enough cost to suit the car makers. Plugs and sockets for fuel management systems and engine control are already being supplied to BMW and Porsche.

The company is also working on a tiny 25-way insulation displacement connector, or IDC, in which multiple connections are made in a single action by contacts piercing the insulation of the minute plastic sheaths—they are only 0.025 inch apart. The connector will go on the market this Autumn. Such flexible cable connec-

A major challenge for the designer is miniaturisation

tion are commonly used where one end of the cable is in motion—on a print head for example—and the market is growing at 25 per cent a year.

In the fibre optics area, the company has just developed a high performance connector called Hermes, in which small lenses are used to ensure full light energy transfer between the mating halves of the connector. Hermes is being developed for FOTS (fibre optic tactical system for the U.S. Army) after it was decided that Piramigan, the British Army tactical communications system for which it was originally intended, should use coaxial cable. Prototypes of the connectors are also being used in a National Coal Board trial. The military are interested in such systems since they cannot be tapped and are lightweight, while for mining communications underground they are intrinsically safe being totally non-electrical.

RESEARCHERS HOLD OUT HOPE OF QUICKER HEALING

## Why broken limbs need vibrations

BY PETER MARSH

GOOD vibrations can help people with broken legs on the road to recovery. That is the theory of researchers at Johnson and Johnson Orthopaedics, a British subsidiary of the U.S. medical-products company.

The company, based in New Milton, Hampshire, plans to sponsor trials in which a vibrating metal frame is fixed to the limbs of people suffering from severe fractures.

Initial research shows that a small amount of mechanical stress can help broken bones to heal in about 30 per cent less time than if the limbs are left to repair themselves unaided.

Johnson and Johnson is to join forces in the trials with two other groups of researchers. These are at the Nuffield Orthopaedic Engineering Centre in Oxford and at Bristol University's department of anatomy.

The work will be supported by a grant of £51,000 from the Science and Engineering Research Council, with Johnson and Johnson providing a further £25,000.

Patients who have badly broken legs, for example as a result of motor-cycle accidents, will take part in the experiments. They will mainly be from hospitals in Bristol, Oxford and Sheffield.

For about 15 minutes a day, those people will be wired up to a special £13,000 vibrating machine built by Dartec. The company is based in Stowbridge and its main business is the manufacture of testing equipment for the engineering and construction industries.

The hydraulically-powered hardware will apply stress to a frame fitted to the bones of the patients' limbs. With the aid of a computer to which the apparatus is linked, researchers will vary factors such as the force with which the stress is applied and the frequency of vibration. They will also measure how changes in the different factors affect the rate of recovery.

Dr Don Evans, research manager at Johnson and Johnson Orthopaedics, says the results from initial trials were "very good." The earlier work used a pneumatically powered vibrating machine. But it was difficult to monitor how changes in the hardware's operation influenced the healing process.

Nonetheless, healing times for badly broken legs were reduced from 4-5 months to 3-4 months on average. Dr Evans thinks that if the new trials prove successful, vibrating machines could become standard items in treatment for severe fractures.

The research on broken limbs stems from a phenomenon that physiologists have known about for years—as a natural process bones to which forces are routinely applied grow stronger than other, less stressed parts of the body.

Thus the arm of a tennis player has a greater power of resistance than, for example, the comparable limb of a person whose most arduous activity is lifting a pint of beer.

According to Dr Allen Goodship, a lecturer in anatomy at Bristol University, the next step was to find the right amount of mechanical force that would stimulate bones to heal more quickly. This resulted in the initial work with the pneumatically driven hardware. Dr Goodship sums up the dilemma: "If you apply too little stress, the limb won't heal fast enough—and if you subject it to too much it won't heal at all."

At first, the researchers were worried that patients might find the novel form of treatment painful. But, according to Dr Goodship, most of the 25 or so people on which the technique has been tried said the vibration was pleasant. Some liked the treatment so much that they asked for the machine to be switched on for more than the allotted 15 minutes a day.

The good news is FERRANTI Selling technology

Space

## Metallurgic tests

A LEADING U.S. machinery manufacturer has signed an agreement with the National Aeronautics and Space Administration to participate in experiments above the atmosphere.

Deere and Co., of Moline, Illinois, is to undertake metallurgical tests with iron samples during flights of the space shuttle.

In the low gravity produced inside the shuttle as it orbits the earth, researchers hope to glean information about how to make stronger iron products and improve the efficiency of foundries.

Pollution

## Flue gas cleaning

A ZINC OXIDE process for flue gas cleaning is under study at Battelle's Columbus Laboratories. This may prove to be a more economical way of removing sulphur and nitrogen oxides from coal-fired power station flue gases.

Battelle is carrying out investigations on this process under a contract from the U.S. Department of Energy. Zinc oxide can remove both toxic gases in one step instead of two stages required in conventional flue gas cleaning.

The study will last for one year and cost \$195,000. If laboratory scale tests prove encouraging, Battelle will test a cleaning system for a 500 megawatt pilot plant installation.

UK COMPANY SELLS WIND GENERATORS TO U.S.

## Windmills get more powerful

CALIFORNIA is one of the largest users of small wind generators in the U.S. Now it is moving into the bigger machines and several electricity utilities have such generators under test.

It was one of these utilities, Southern California Edison (SCE), that ordered a 330 kW wind turbine from James Howden and Company, a British company. The contract is worth £536,000. It is Howden's first export order for turbines, having entered this market three years ago. Its main business is the production of fans for mines and power stations.

SCE was attracted to Howden's turbines because of the British company's involvement

with the construction of a large wind generator at Burger Hill on the Orkneys, which is connected to the North of Scotland Highland Electricity Board's electricity grid.

It is the company's first export order and is seen as an important breakthrough for the company in the private market. About 60 per cent of the value of the contract will be supplied from the UK, the rest will be made in the U.S.

Dr Ross Wilson of James Howden and Company, said that the turbine was originally developed with remote islands in mind. "We wanted it to be easy to erect, maintain and be reliable," he said. Basically the same design type of generator is

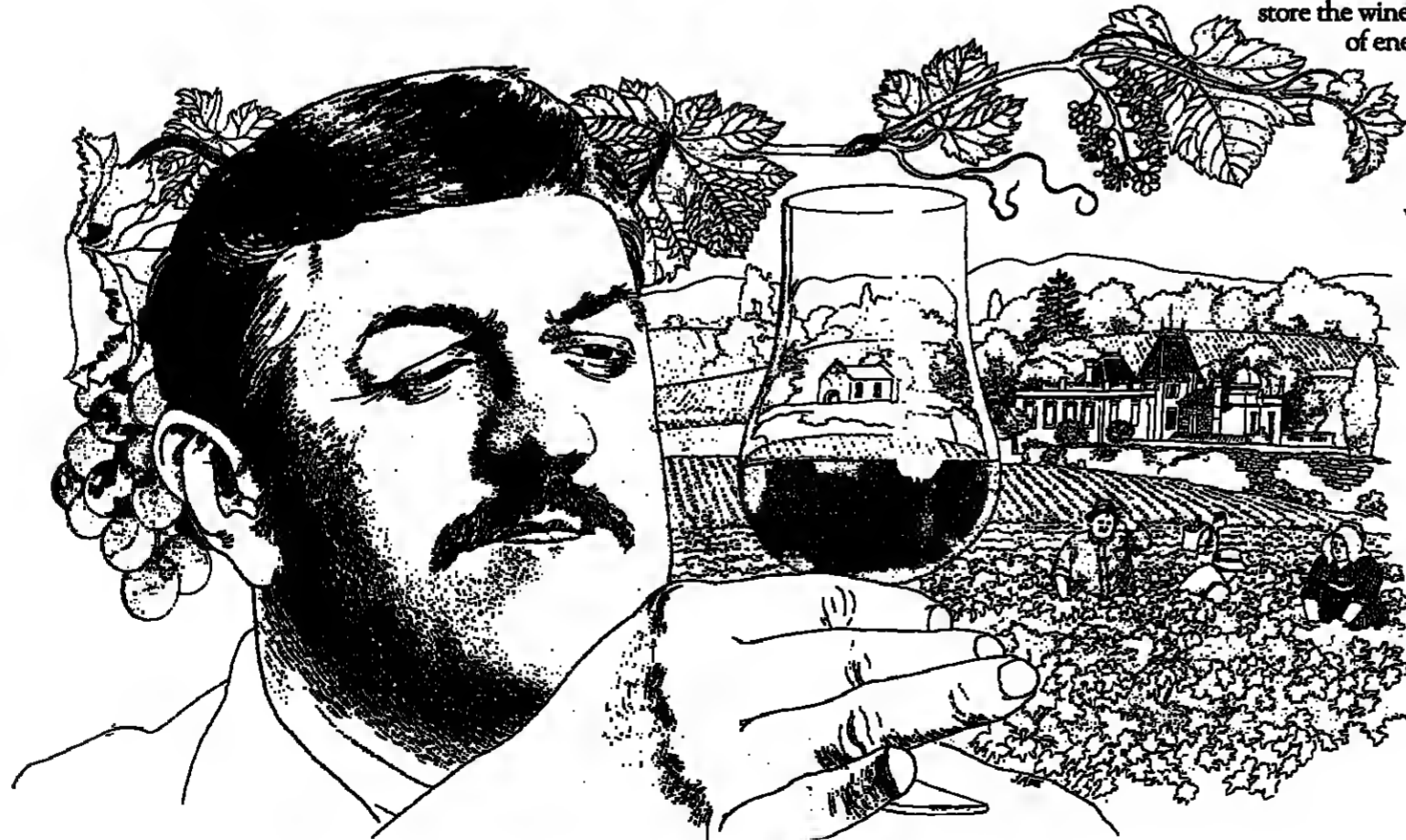
to be built at Palm Springs in southern California.

Winds of up to 135 mph are experienced near Palm Springs, so Howden has increased the size of the turbine blade diameter from 22 metres to 26 metres. This increases the energy output at lower wind speeds.

A standard industrial controller supervises the turbine's operation. It monitors wind velocity and grid connection. The breakdown of any component in the system including the computer control, will shut down the wind generator.

More details from the company on 011-222131. ELAINE WILLIAMS

## A fast, clear solution to an old wine-making problem



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Yet one clarity problem has remained unsolved until now: the presence of small tartaric crystals in the bottle. Today's wine production techniques do not allow enough time for these crystals to form before bottling—with the risk of later precipitation in the bottle.

Until now, the only way to overcome this problem was to store the wine in huge tanks at low temperatures—a costly process, extremely wasteful of energy, which held up the sales of large quantities of wine for several weeks.

It is a problem with which wine-makers no longer have to contend, thanks to Crystalflow, a wine treatment technique pioneered by Alfa-Laval.

Wine is transferred through heat exchangers and cooled in stages to just below its freezing point. This changes a small proportion of the wine's water content into ice, concentrating the crystal components into the remaining, more alcoholic, liquid. These new conditions force crystallisation to take place within 90 minutes, after which the ice is again melted. The tartaric crystals can then be removed using centrifugal force and stable, crystal free wine is produced.

Crystalflow is unique, requires no additives and, thanks to its built-in heat recovery, saves energy. It satisfies even EEC, the world's most stringent, wine making regulations. Today, the process is used in three continents: Europe, North America and Africa.

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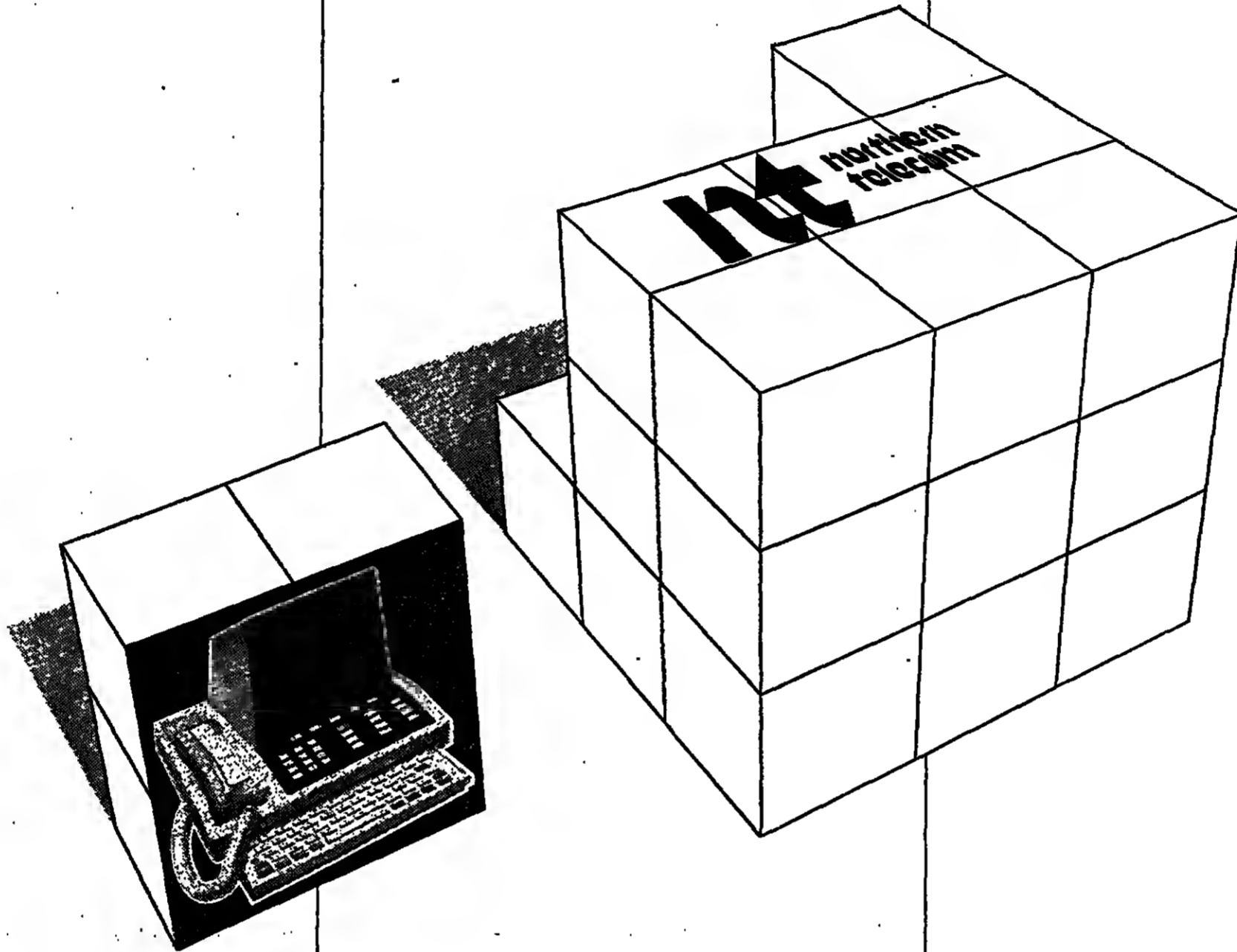
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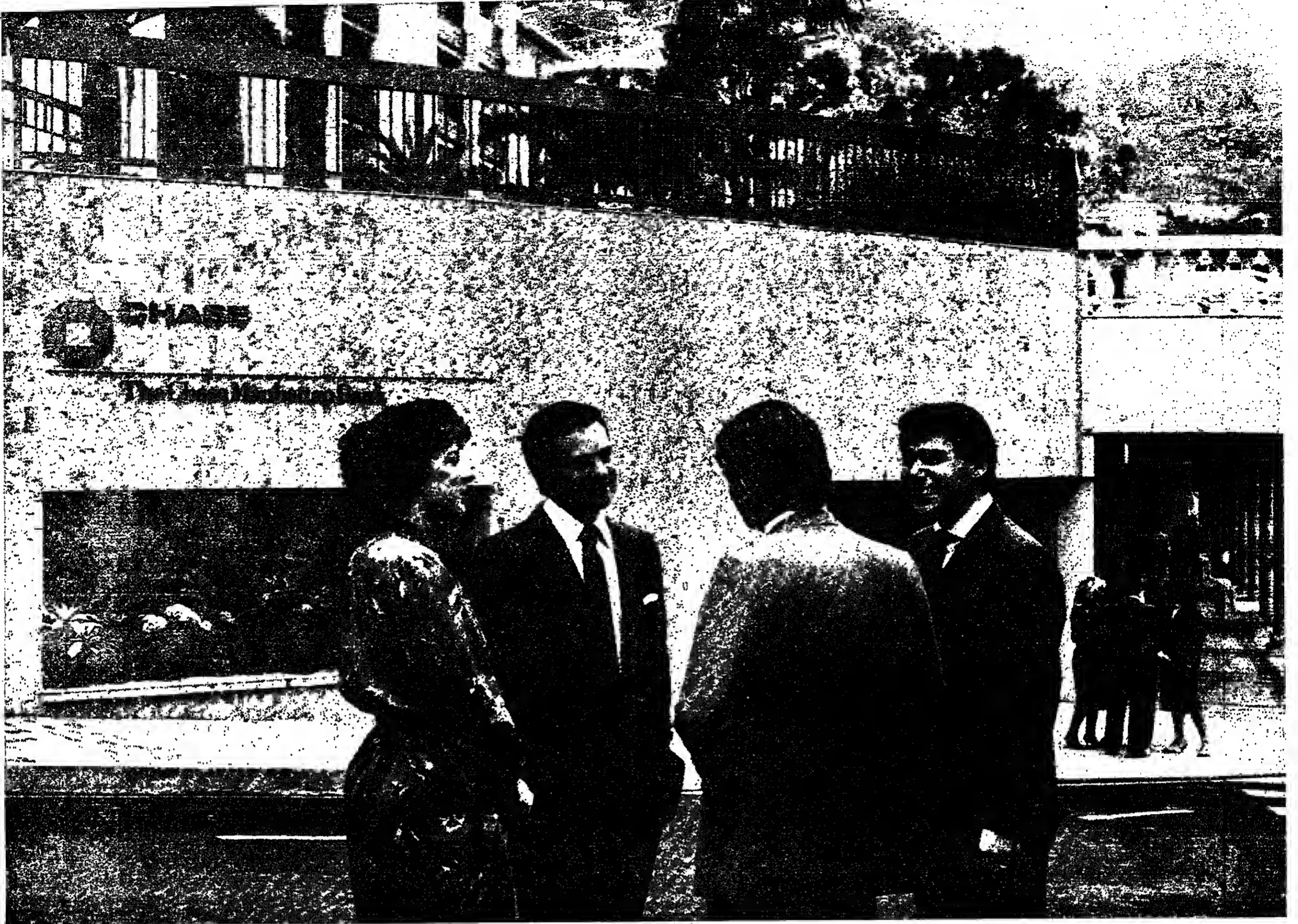
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# Duarte cautious over talks with guerrillas

BY OUR FOREIGN STAFF

SR JOSÉ Napoleón Duarte, El Salvador's new President, has reacted cautiously to an apparent softening of the left-wing guerrillas' stance on negotiations to end the four-year-old civil war.

In his first news conference, President Duarte said that he had no immediate plans for talks with the FDR/FMLN, the umbrella organisation of the five main guerrilla groups.

Last week the rebel Radio Venceremos announced that the guerrillas had dropped their insistence on taking part in a provisional government as a precondition for negotiations.

President Duarte said he would make every effort to bring the guer-

rillas into the "political process," but he insisted that negotiations were impossible with "rifles on the table."

A peace commission already exists to negotiate with the FDR/FMLN, and last year had a series of inconclusive meetings. In the past two weeks, the President of Costa Rica, Sr Luis Alberto Monge, has offered to act as a mediator between President Duarte and the guerrillas.

However, President Duarte appears unwilling to make a definite move until the situation within the FDR/FMLN is clearer. He fears that the movement is split between its political and military wings.

The military commanders are be-

lieved to favour a continued hard-line approach of fight and talk, while the politicians, mainly living in exile in Mexico, are more prepared to consider a truce.

Nevertheless, observers see the atmosphere more propitious for negotiation after President Duarte's election than at any time since 1980. Mexico, which cut diplomatic ties with El Salvador in 1980 after a Mexican journalist was killed there, was represented at President Duarte's inauguration last week by the Foreign Minister, Sr Bernardo Sepúlveda. Mexico is a key figure in the Contadora group, also comprising Colombia, Panama and Venezuela, which is pressing for peace in Central America.

## CALIFORNIA PRIMARY VOTE IS SEEN AS POTENTIALLY CRUCIAL

# Final Tuesday - but not the last word

BY STEWART FLEMING IN SAN FRANCISCO

DUANE B. GARRETT, a 37-year-old California lawyer with the build of a Japanese sumo wrestler, sits bunched over his desk 23 storeys up in the Security Pacific Bank building on Market Street, San Francisco.

In the middle of the floor sits a two-foot high carved wooden donkey, the symbol of the U.S. Democratic Party. It is 2pm, and on his desk stand two cans of low-calorie soda and a plastic container full of soup. His left hand clutches a hamburger, his right the telephone.

For the national co-chairman of the Mondale for President committee, one of the men charged with raising the last-minute dollars which could make or break former Vice-President Walter Mondale's drive for the Democratic Party's presidential nomination, these are busy days.

For a few precious seconds Mr Garrett stops eating to take a telephone call, a mark of respect for the caller. It is Mayor Dianne Feinstein, the charismatic leader of the San Francisco City Government and one of the dozens of Democratic diva and political leaders to have rallied to Mr Mondale's cause in the state.

Such endorsements have not been the boost to Mr Mondale's campaign that many expected four months ago, when the Democratic campaign began in Iowa.

But backing from Mayor Feinstein, who made the cover of Time magazine last week as one of the few women who might come into the reckoning as a vice-presidential running mate, is likely to stand Mr Mondale in good stead today, when between three and four million registered Democrats in California cast their votes for convention del-



Mr Walter Mondale, Rev Jesse Jackson and Senator Gary Hart during a television debate

egates pledged to Mr Mondale, Senator Gary Hart or the Rev Jesse Jackson.

Today is Final Tuesday, the last of the primary contests. Five states, New Jersey, New Mexico, West Virginia, South Dakota and California vote to select the Democratic Party's choice to face President Ronald Reagan in the November election. At stake in California will be 345 delegates to next month's Democratic convention in San Francisco, compared with 180 in the four other states, the bulk of them - 107 - in New Jersey.

Little wonder, then, that both leading candidates, Mr Mondale and Mr Hart, see the California vote as potentially crucial. Even a narrow victory for Mr Mondale in California - particularly if it were coupled with a win in New Jersey, where the polls show him in the lead - would virtually destroy Mr Hart's chances of waging a successful battle against his rival on the convention floor.

According to UPI news agency, Mr Mondale is only some 300 delegates short of the 1,967 he needs to

secure a majority of the convention. Mr Hart has won around 970 delegates, and the Rev Jackson around 300.

This calculation could be misleading, however, for the delegates selected so far are not legally bound to vote for a particular candidate, and about 442 remain to be selected in state and district party conventions.

To turn the arithmetic on its head, Mr Hart needs to win convincingly in both New Jersey and California, adding to his string of six victories in the most recent primaries. This would so damage the credibility of the front runner that delegates already nominally pledged to Mr Mondale could begin to desert him at the convention.

That Mr Mondale and Mr Hart find themselves possibly facing the prospect of wheeling and dealing for delegates in smoke-filled convention rooms is a sad commentary on the performance of both men in the four-month primary campaign and a serious worry for the Democratic Party.

Hart won his dramatic victory in New Hampshire in February and emerged to challenge the "inevitability" of a Mondale candidacy in November. In the course of the primary battles, however, all the two men have done is successfully define each other's weaknesses. Neither candidate has been able to articulate a message compelling enough to constitute a legitimate Democratic challenge to the incumbent President.

Mr Hart has pinned on Mr Mondale the label of yesterday's man, facing an uphill struggle against President Reagan and dogged with unhappy memories of the Carter Administration.

Mr Hart's success on this score has also served to underline the very real divisions within the Democratic Party itself about how to shake off the more costly elements of traditional new deal liberalism and build a Democratic coalition encompassing the young voters who have found appeal in Mr Hart's "new ideas".

Democratic Party loyalists would be less dismayed by Mr Hart's tac-

tics if he had himself successfully demonstrated the ability to lead the party into the future. After a bright start the Senator has failed to carry conviction in public. He has too often been easy prey for Mr Mondale, who has effectively depicted Mr Hart as unsteady and unsure.

In a sense, the only winner in the Democratic campaign has been the Mr Jackson, who has successfully mobilised black voters, established his leadership of the black political establishment, and caught the imagination of many voters, including some white intellectuals.

For the Democrats it is important not only who wins today's primaries, but how he wins. For the party, the best outcome would be a decisive victory by one candidate which would force the other to withdraw.

The result may well be not so tidy, however. In theory, California, with its strong economy, forward-looking population and tradition of weak party organisation, should be Hart territory. The most recent polls in the state, however, show that as much as 20 per cent of the electorate is still undecided, and the two front-runners are apparently neck-and-neck among voters who have made up their minds.

California, therefore, looks like another primary in which voters respond to last-minute impressions. Moreover, balloting is taking place in 45 separate congressional districts and it will be difficult to get quickly an accurate tally of the popular vote.

A close race could end with both candidates claiming victory and Mr Hart saying the voters' judgement demands that he take his case to the convention. He is already threatening to do this and effectively keep open the Democrats' wounds - even if he loses in New Jersey and California.

## Brazil asks for change in IMF target

BY OUR SAO PAULO CORRESPONDENT

BRAZIL has asked the International Monetary Fund to change the way in which key monetary and public financial targets are calculated in order to help it comply with the terms of its letter of intent signed last March.

The request follows figures showing that Brazil's money supply is growing three times as fast as it was supposed to under the terms of its IMF agreement.

The monetary base, the narrower of the two monetary mea-

sures used in Brazil, expanded 17 per cent in April and a further 3 to 4 per cent in May, according to preliminary data. This means the monetary base has grown by about 24 per cent altogether in the first five months of this year. But targets set out in the letter of intent show that growth should have been held down to only 7.3 per cent in the January-May period. The 24 per cent increase was not supposed to have been reached until September.

Central bank officials say the only way around the problem is to change the way in which monthly performance is measured. For the Fund, only month-end figures count. But if average figures for each month were used, oscillations in the monetary base would be smaller, officials explain.

If the April growth in the monetary base had been measured by the second method, the IMF's target would almost have been reached. By that method, the base increased by only 3.5 per cent instead of 17 per cent.

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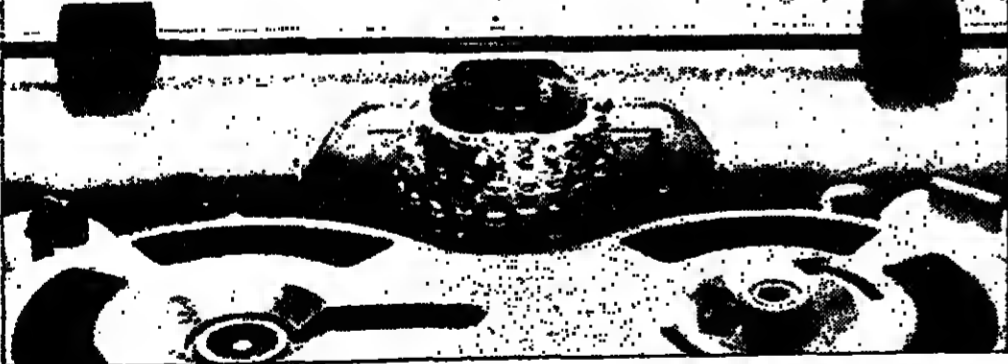
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## UK NEWS

## Interest pressures ease as share prices surge

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

PRESSURE FOR a rise in British banks' base lending rates eased yesterday as stock markets across the world changed up into a more optimistic gear.

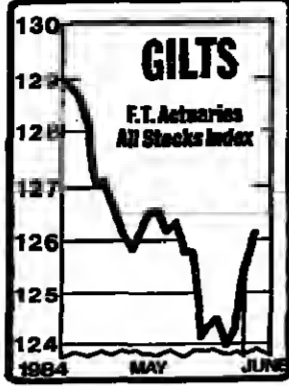
The recovery, which began on Friday with improved sentiment in the U.S., was given a push yesterday by Mrs Margaret Thatcher, the Prime Minister, who said she would like to keep UK interest rates down if possible.

On the London Stock Exchange prices of most stocks were marked up sharply, and the Financial Times Industrial ordinary share index rose by 18.8 points to 843.3. In the last two days trading the index has recovered all of the 46.5 points which were lost during the previous three-week account period.

Share prices also rose sharply in Tokyo and other Far East markets, in most of the European centres and in early trading on Wall Street.

Prices for UK Government stocks (gilts) also rose strongly with gains of up to 1 1/4 points at the long-dated stock. The Bank of England took the opportunity to rebuild the momentum of its funding programme by announcing four new tranches of tap stock totalling £800m.

Mrs Thatcher's intervention and the Bank's signals in the money markets have clearly indicated that the authorities will try to resist a



further rise in UK base lending rates, provided that the international outlook continues to look sunny.

The general view in the City of London yesterday was that the pressure for a rise in interest rates, which looked inexorable towards the end of last week, seemed for the time being very much weaker.

Mrs Thatcher told the Conservative Party's morning news conference during the Euro-election that she saw no domestic reason for British interest rates to rise. However, she admitted that the Government could not resist international market pressures.

She said no country could insu-

late itself completely from interest rate increases in the U.S., and from pressures in the gilts market.

This reflects the cautious Treasury view that interest rates might have to rise if the exchange rate were to come under sustained pressure.

However, there was also a view among the authorities yesterday that the other pressure on the Government—the ability to fund its deficit in the gilt market—would be eased if there was a general expectation that the Government would resist a rise in interest rates.

This view seems to have gained ground in the generally more optimistic mood that prevailed.

In London, money market interest rates fell generally, with the 3-month London inter bank rate down 1/4 of a percentage point to 9 1/4 per cent.

Three-month Eurodollar rates were also down by 1/4 percentage point to 11 1/4 per cent. Sterling remained steady with the Bank of England trade-weighted index closing at 79.5, the same as at Friday's London close.

The tap stock announced by the Bank yesterday ranged from a £200m tranche of 10 per cent Treasury 1987 to £100m of 11 1/2 per cent Treasury.

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## GEC subscribes £50m for airline finance package

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

GENERAL Electric Company (GEC) of the UK is subscribing £50m (\$70m) to a consortium led by Chemical Bank to help buy new jet airliners for British Airways.

This is GEC's first venture into the airline financing market, but it has already used part of its £1.5bn "cash mountain" to buy shares in Distillers Group, and it is now also discussing a possible takeover of British Aerospace, the UK's partially denationalised aircraft missiles and spacecraft group.

The aircraft involved in the latest deal are the 14 new Boeing 737-200s which British Airways ordered last September, worth \$250m for delivery later this year and through 1985.

The airline at that time also took an option on another 17 of the same aircraft. It wanted the new jets as replacements for its ageing Trident and One-Eleven fleets.

The financial group put together over recent months by Chemical Bank includes many leading UK and U.S. banks, insurance companies and other organisations. The full list has not been revealed, and it has only now emerged that GEC is part of the group.

The financial group will buy the airliners outright from Boeing of the U.S., and it will then lease them

to British Airways, initially for a short term, but with options to extend the leases.

In this way, BA gets a new fleet of jets without the burden of heavy interest debt on its balance sheet (although the leasing charges will be heavy, BA still regards them as "very favourable").

The financial group will not only get a substantial return on its investment, but also retain the title to a fleet of one of the world's best-selling jet airliners.

Should BA decide at any time to relinquish any of its leased aircraft, there should be no difficulty in finding other airlines interested in taking them over.

Whether GEC will become involved in further aircraft financing deals remains to be seen, but it is almost certain to be approached, probably by other groups putting together packages to finance other UK airlines' jet procurement.

One such major deal is the proposed acquisition by British Caledonian Airways (whose shareholders include several major UK banks), of seven European A-320 Airbus, worth \$240m. Talks on a financing package for that deal have been in progress for some time.

British Aerospace has a 20 per cent stake in Airbus Industrie.

## GOVERNMENT TO LIFT NCB'S BORROWING CEILING

## Coal loss of \$875m expected

BY OUR PARLIAMENTARY AND LABOUR STAFF

THE GOVERNMENT is to ask parliament this summer to approve a new £1,500m cash borrowing ceiling for the National Coal Board (NCB), partly as a result of the severe impact of the miners' strike and overtime ban on the industry.

Mr Peter Walker, the Energy Secretary, said yesterday he expected NCB losses in 1983-84 to be around £275m. He said that about £197m of the loss was attributable to the strike and overtime ban and the remainder reflected the underlying imbalance in the trading position of the coal board.

Parliamentary approval has already been granted for the payment to the NCB of up to £800m in deficit grants for the 1983-84 financial year. But Mr Walker said: "The Government intends to submit to parliament a summer supplementary estimate to enable grant payments to be extended to cover the board's deficit in full."

The Energy Secretary said that in spite of the enormous subsidies, capital investment in the industry was running at the rate of £2m a day. The scale of support greatly exceeded anything available to the NCB's competitors in the rest of Europe and was equivalent to £130 per week for each man employed.

Mrs Margaret Thatcher, the Prime Minister, again refused to become involved in the miners' dispute, which has now lasted more than three months. Referring to

Mr David Bassett, a leading member of the Trades Union Congress (TUC), yesterday called for the TUC to establish a "large-scale loan fund" to alleviate hardship among miners and their families and to help rebuild the National Union of Mineworkers after the strike is over.

His union, the General Municipal and Boilermakers' Union, is likely to make a substantial contribution to such a fund. Mr Bassett said the union supported the miners because, "we are against unneeded pit closures. We are for a sensible energy policy, at the centre of which is coal."

talks between the NCB and the National Union of Mineworkers (NUM), which are due to resume later this week, she said the Government had set the financial framework in terms of making money available for investment and setting cash limits. It was up to the two parties to sort out the details.

She stressed, however, that the industry had not so far delivered in relation to the closure of uneconomic pits and productivity. She argued that the phasing of closures had always been agreed at an area level and was not a matter for the Government.

Mr Neil Kinnock, the Labour Party leader, said that there were reports that Mrs Thatcher was ordering the coal board to take an indefinite line in the talks between the NCB and the union.

"Twelve weeks of inactivity sprinkled with inflammatory statements have been bad enough," he said. "But if it is to be followed by sabotage when the talks have started, that would surely be one of the greatest acts of irresponsibility even by this Prime Minister."

The Government claimed yesterday that there were more miners at work than at any time since the strike began. Mr Walker said: "It's the best day yet." The NCB estimated that there were up to 600 more miners at work than on previous Mondays.

This included about 400 more in Nottinghamshire, where the coal-field has continued to work throughout the dispute, and 328 in North Derbyshire, the highest number there since the strike began. But a threatened revolt by pit winders at Barnsley, Yorkshire, collapsed when only two returned to work.

Mr Ron Price, NCB's deputy general director of mining, warned yesterday of the danger of fire breaking out at neglected coal faces and listed 13 collieries which were suffering some deterioration. He said there was a risk of spontaneous combustion.

## General managers to run Health Service

BY ROBIN PAULEY

GENERAL managers are to be introduced to run all levels of the National Health Service (NHS) as quickly as possible, Mr Norman Fowler, the Social Services Secretary, announced yesterday.

The decision means that all the major recommendations of the NHS management inquiry, which reported last October, are to be implemented. The inquiry was chaired by Mr Roy Griffiths, deputy chairman and managing director of J. Sainsbury, the food stores group.

Mr Fowler has instructed all regional district and special health authority chairmen to start work immediately on establishing the general management function, which effectively replaces the current consensus management approach with one person responsible for all management decisions. Regional authorities must make their proposals and name their general managers by September.

The most controversial aspect of the Griffiths report was the introduction of general managers at the unit level of the 5,000 or so individual hospitals, a move which the House of Commons social services select committee described as the "height of folly," coming so soon after the last reorganisation of hospital management.

Mr Fowler said the Government wanted a general manager in every unit because the management changes at other levels would not otherwise be worthwhile. In deference to the arguments about the difficulties, he has allowed until the end of 1985 for the completion of the unit level changes.

The changes mean that the Department of Health and Social Security is headhunting outside the Civil Service for a general manager for the department, to be employed at the level of second permanent secretary. It is also looking outside for a personnel director.



Mr Fowler: implementing inquiry report

In addition, there will be 14 regional general manager posts, 190 district general managers and about 5,000 unit general managers. If the appointments are made from outside, the salaries will be negotiable. If the appointments are from within the NHS, the Government has set up interim pay arrangements which allow for up to £3,000 to be added to a chief officer's salary for the general manager. Typical chief officer salaries are between £24,000 and £29,000 a year in regions and £21,000 and £27,000 a year in districts.

Doctors will remain clinically autonomous under the arrangements but will not be chosen automatically as unit general managers. As some of them will want to take on that role, and as they are often lacking in management experience and training, Mr Fowler announced yesterday that management training and education programmes would be increased.

## Treasury sets up unit to monitor spending

THE TREASURY has established a new internal division to monitor public spending and revenues as part of a drive by Mr Nigel Lawson, the Chancellor of the Exchequer, to secure more effective control of public borrowing, Philip Stephens writes.

The grouping, known as the public sector finance division, will aim to give the Chancellor a more coherent and up-to-date analysis of trends in the public sector borrowing requirement (PSBR).

Forecasting the PSBR has proved particularly difficult for the Treasury because of the large seasonal swings in revenues and expenditure. Last year the overrun was nearly £2bn above the original budget target.

The new division draws staff from general expenditure, accounts and economic forecasting sections of the Treasury and should act as an early warning system if borrowing looks like running ahead of target.

The City of London was alarmed by the £2.4bn rise in borrowing in April, the first month of the 1984-85 financial year, but the Treasury has quashed suggestions that it should consider a package of public spending cuts.

Although borrowing is expected to be high over the next few months, Mr Lawson believes that a much faster inflow of revenues later in the financial year will keep it to its £7.25bn target.

● THE ANNUAL conference of the Association of Scientific, Technical and Managerial Staffs has been

postponed because of the strike by 220 of the union's employees over a pay claim.

● MR PETER WILSON, the man responsible for the growth of Sotheby's to pre-eminence in the fine art world, has died in Paris. He was 71. He took Sotheby's from a mainly specialist book auction house to a major position as an international arts saleroom.

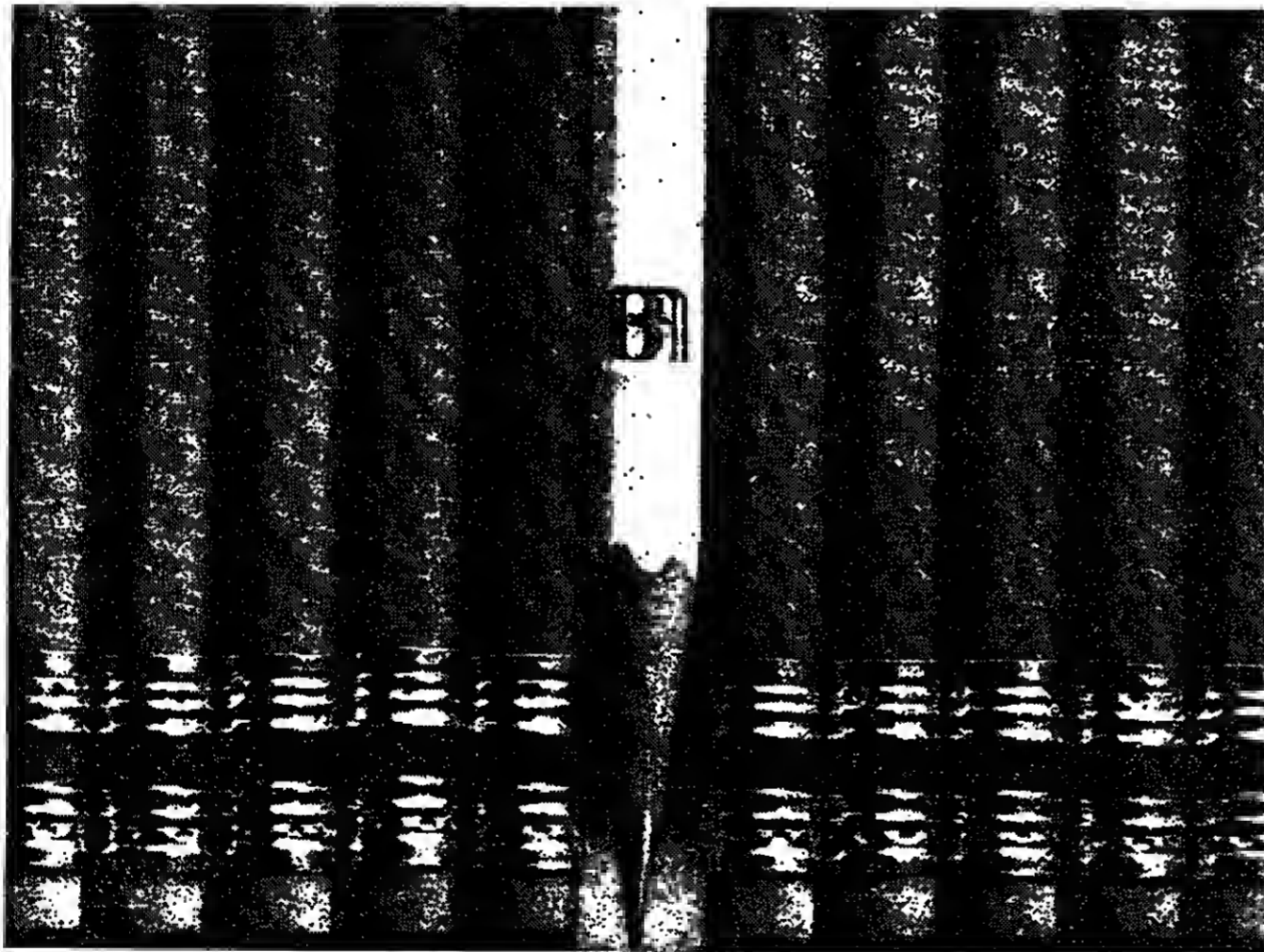
● PROSPECTS of Mr Norman Willis, the Trades Union Congress' deputy general secretary, succeeding Mr Len Murray as general secretary improved yesterday when Britain's largest union, the Transport and General Workers', backed him for the job.

● FURTHER TALKS are expected today to end a transport drivers' strike, which has halted all car output at Austin Rover's Longbridge factory, Birmingham. More than 9,000 Longbridge workers have been made idle. Production of the Maestro and Montego models, assembled at Cowley, Oxford, could be affected within the next 48 hours, as the engines are supplied from Longbridge. The dispute began when Mr Zedekiah Mills, a truck driver, was dismissed for allegedly hitting a supervisor.

● THE GENERAL Municipal and Boilermakers Union is to adopt a series of rule changes likely to bring its rule book into line with the provisions of the Trade Union Bill which will become law in the autumn.

Strike law changes, Page 12

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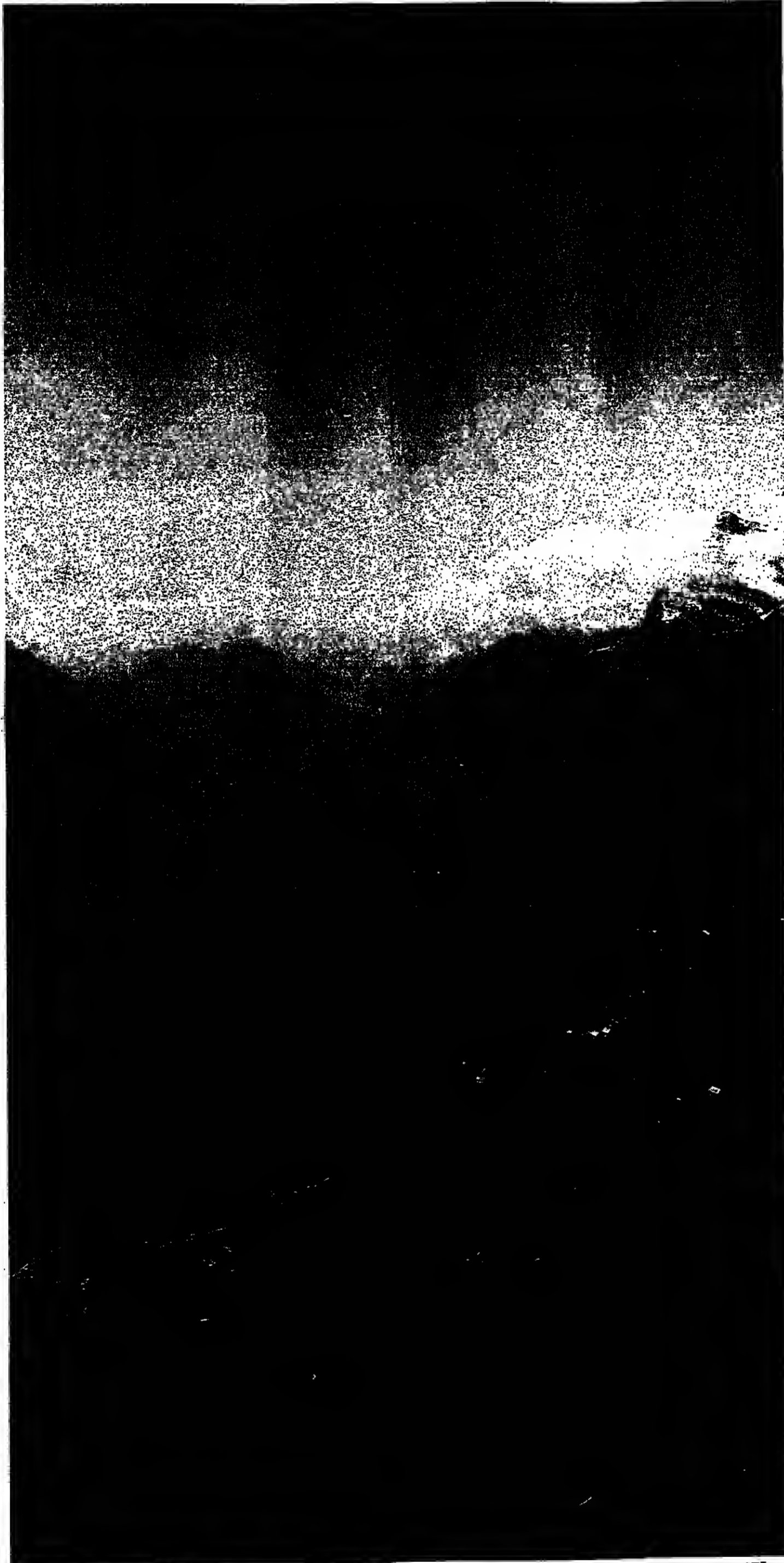
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## UK NEWS

## Minister defends plan to change strike law

BY OUR LABOUR STAFF

MR TOM KING, the Employment Secretary, yesterday defended his plans to outlaw strikes not supported by a majority of union members in a secret ballot. He said that union leaders had whipped up a "synthetic" row over his moves to tighten the Trade Union Bill now going through Parliament.

Mr King was responding to mounting and influential opposition to the Government's proposed changes to the Bill. This followed Mr King's disclosure at the weekend that the Government would table an amendment to the Bill requiring secret ballots before strikes to show a majority in favour of industrial action. Without a majority, the union would not have legal immunity from civil action for damages.

Much of the opposition, from trade union leaders, Labour MPs and academics was based on the belief that Mr King's proposal would cover not a majority of those voting, but a majority of those eligible to vote.

Mr King acknowledged yesterday that this had not been clearly explained. "It must be a majority of those actually voting," he said.

The Government's plans have been made as a result of the present miners' strike during which there has been no national ballot of union members. Mr King said the



Mr Tom King

miners' dispute had become an assault on the law.

"In trade union legislation we don't cover the use of telegraph poles as battering rams, or the use of missiles and bricks being hurled over the heads of the crowd," he said.

"This sort of mass picketing is totally in breach of anything the TUC (Trades Union Congress), quite apart from the Government, has ever said on what is peaceful and reasonable picketing."

Mr King will face House of Commons' questions today over his proposed amendment, when he is like-

ly to amplify his explanation over the definition of a majority. The proposal still raises a number of significant issues, however.

● The new insistence on a majority of those voting does set it apart from the other criteria in the Bill, which in the main insist on the electorate - either in strike ballots or union elections - being all those eligible to vote, apart from some strictly defined exceptions.

● This is a straightforward, acknowledgement by the Government of practical limitations. There are few, if any, elections anywhere which could satisfy the criterion of a majority of those eligible to vote.

● As Mr King pointed out yesterday, the vociferousness of the trade unions' reaction to the disclosure was mainly about the central idea of strike ballots. In many cases, unions are only now beginning to realise that changes in practice will be required under the Bill and are starting to take appropriate steps.

● The Government had originally held out against altering the Bill's drafting, which states that unions will win immunity providing that they hold a ballot, regardless of its result. The reason was that Mr King and his team were convinced that no responsible trade union leader would ask his members to come out on strike if a majority of members were against it.

## Five-nation push for Euro-fighter deal

STRONG EFFORTS are now being made by the aerospace industries of the UK, West Germany, France, Italy and Spain to settle outstanding differences of view on the proposed future European Fighter Aircraft (EFA) project, to enable the defence ministers of the five countries to authorise further work at their next meeting in early July.

Reports from the recent Hanover Air Show suggesting that the project was in jeopardy are dismissed in the European aerospace industries, but it is clear that some major problems must be cleared up before the defence ministers can push the venture ahead.

The overall cost of full-scale development and production of the projected Euro-fighter is bound to run into several billion pounds, making it impossible for any country to go ahead alone.

The differences have emerged during discussions recently by the major aerospace companies involved in the "pre-feasibility studies" into the new aircraft. Although the air staffs of the five countries some time ago agreed a common target for such an aircraft, translating it into a common design is proving more difficult.

Defence ministers are due to meet on July 9, to discuss and if possible agree the next stage, which would be a full-scale "feasibility study." That study might take another year or more, before a final decision to embark on development and production is taken.

Michael Donne, Aerospace Correspondent, looks at the obstacles in the way of an early agreement on the proposed European Fighter Aircraft

The new fighter is required for service in western Europe from the early 1990s to replace a wide range of types that by then will be ageing, such as Jaguars in the Royal Air Force and Phantoms in the Luftwaffe.

The European air forces alone would need 800 to 1,000 aircraft, but export sales would be expected to multiply that figure several times over.

To build up advanced technological knowledge in preparation for the full-scale development of an aircraft, both the UK and France have begun building experimental types - the UK's jointly funded British Aerospace/Ministry of Defence Experimental Aircraft Programme (EAP) and the French Dassault-Breguet Avion de Combat Experimental (ACE).

Work on both these projects is being pursued as separate ventures in the two countries, while international discussions continue on how to bring together the industries and defence interests of the five countries on the wider EFA project itself.

Although much has already been achieved on the EFA, some significant problems have begun to emerge, and representatives of the

aerospace industries at the recent Hanover Air Show showed little reluctance in voicing them.

At the industrial level, issues which still need to be solved are the division of work between the five companies involved (British Aerospace, Messerschmitt-Bölkow-Blohm of West Germany, Dassault-Breguet of France, Aeritalia of Italy and Casa of Spain).

The precise size and shape of the organisation that will have overall responsibility for co-ordinating the venture has also to be settled. There are also budgetary issues outstanding, especially the shortage of available funds in West Germany, which is regarded as a particularly severe difficulty. Shortage of cash has already forced West Germany to cut back its involvement in the UK's EAP.

At the technical level, such issues as the prospective weight of the new Euro-fighter (which will influence its performance), and its precise military role, have also still to be settled.

There is also a difference of view over which engine is to be used initially - either to build a new one or use a derivative of an existing engine. In all these areas, the differences

between the UK and France appear to have been the most marked.

Reports at the Hanover Air Show suggested that Dassault-Breguet was seeking leadership of the entire venture, with 46 per cent, with the UK having 22 per cent, West Germany 16 per cent, Italy 10 per cent and Spain 6 per cent.

The UK believes that a genuine partnership arrangement, both in terms of funding and work-sharing, would be preferable, with equal shares for at least the three biggest members of the group, with the Italians and Spanish perhaps having smaller shares more in keeping with their financial contributions. The UK also feels that a small, central design team would be preferable to a massive "overlord" organisation, but recognises that some overall controlling body is desirable.

The big investment in the current Panavia organisation for the Tornados multi-role combat aircraft makes it sensible for that organisation to be regarded as the possible "overlord." But the French, not being in Panavia, are not happy with that solution.

On the technical level, the UK would like to see an "air superiority" fighter that would be of suffi-

cient weight and performance to meet any likely threat emerging in the 1990s and beyond, such as MiG-29s or even more advanced Soviet aircraft.

The French, by comparison, want to see a smaller fighter, devoted more to ground attack.

There are also differences of view on the engine. The UK believes it would be best to use a derivative of the Turbo-Union (Rolls-Royce, MTU and Fiat Aviazione) RB-199, as used in the Tornados aircraft and planned for the UK's own EAP, giving more time to develop a new engine later.

This would ease the financial problems, which would be severe if both a new engine and a new engine were developed together. The French, on the other hand, who are now in Turbo-Union, would prefer to use the Snecma M88, already under development for their own ACE demonstrator aircraft.

Some of these differences between the UK and France are so marked that it has been suggested that the defence ministers of those two countries should meet privately in advance of the main ministerial meeting in July to try to settle the problems.

At the UK industrial level, there is a strong feeling that unless these differences are sorted out soon, there would be little chance of the main meeting of the five defence ministers being successful.

## Union negotiators set new pay target

BY JOHN LLOYD, INDUSTRIAL EDITOR

UNION pay negotiators are once again trying to achieve the "going rate" - the typical level of wage settlements. This follows two to three years in which percentage pay deals showed a relatively wide range and managers believed a company's ability to pay was being taken into account.

Evidence from the data bank of the Confederation of British Industry (CBI) and from other pay research bodies, such as Incomes Data Services, shows that pay rates are now bunching at or slightly above the level of inflation.

The evidence is causing the employers some concern. The CBI, which is preparing its pay presentations to be made to its members later in the year, will stress the need to keep down unit costs through stronger links between pay and productivity.

CBI officials recognise that many pay settlements which appear high

have been "paid for" by productivity improvements. They are anxious that such trends become general.

They recognise, however, that the "headline" figures of settlements could be used by union bargainers to argue for higher increases. This comes at a time when company productivity is improving but when unit labour costs still lag by up to 20 per cent behind the UK's major competitors.

The CBI's data bank figures for the first three months of this year, published last month, showed settlements in manufacturing industry edging up to about 6 per cent. Department of Employment figures showed average earnings growing by an underlying 7.75 per cent, with a 9.5 per cent rise in manufacturing earnings over the same period.

An Incomes Data Services' compilation of settlements showed them to be bunching between 4 and 8 per cent in April, with a decline in settlements under 5 per cent.

## Airline plans European commuter service

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

PROPOSALS for a new scheduled airline to serve business commuter routes between Edinburgh and Paris, Brussels, Copenhagen and Frankfurt have been placed before the Civil Aviation Authority.

Scottish Executive Airways has been set up by Mr Bill Stevenson, who is chairman of the Scottish Transport Group and numerous other Scottish business interests.

The airline would be a subsidiary of his small air charter business, Aerotime, and would join a number

of small commuter companies using British Caledonian's flight services

British Airways has a Glasgow-Paris route and Air UK has Edinburgh-Paris, while SAS operates between Glasgow and Scandinavia. Most European routes from Edinburgh require flying first to London Heathrow or Gatwick.

The new service aims to be able to operate profitably to European destinations by using small, fuel-efficient aircraft.

## Tories reject electoral reform calls

By Ivor Owen

VISCOUNT WHITELOW, the leader of the House of Lords, yesterday strongly re-affirmed the Government's commitment to retaining the first past the post electoral system.

He swept aside demands by Social Democratic Party (SDP) Liberal Alliance peers for the introduction of proportional representation (PR) and for the reform of the constitution of the House of Lords.

Lord Whitelaw said: "The Government has no proposals to reform the constitution of the House of Lords or to alter the method of election to the House of Commons."

There was derisive laughter from Government supporters, when Lord Diamond, SDP leader in the Lords, argued that the outcome of the five by-elections held since last year's general election had provided further proof of the unfairness of the present electoral system.

He said an analysis of the total votes passed in these contests showed that Labour occupied third place with 37 per cent, the Conservatives second with 33 per cent, with the Alliance "well at the top" with 30 per cent.

Lord Diamond asked: "Do you think it just that, whereas 68,000 Conservative voters secured three representatives, the much larger number of 82,000 Alliance voters secured no representation at all?"

Lord Whitelaw said the rules of the electoral system were well known and had been in place for a long time. "I believe in playing by the rules of the game, and I would keep them that way," he said.

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A new offer to Moscow

THERE CAN BE no doubt about the intentions behind President Reagan's speech to the Irish Parliament yesterday...

So far the western countries have concentrated on a number of concrete, if technical proposals...

Crusade

It remains, however, that the war is only part of what the President said. There was still a hefty dose of the moral crusade...

The 'paving Bill' in the Lords

ANOTHER PREDICTABLY futile round in the war of attrition between the Government and local government took place yesterday...

The Prime Minister was moved by objections by arguments about the dangers of financial irresponsibility from "rag end" councils...

Under growing duress Mr Jenkin has repeatedly insisted that the Government's "let government legislation be part and parcel of the election manifesto..."

One of the most contentious proposals is the Bill currently before parliament for which the manifesto cannot be called in aid: the Local Government (Interim Provisions) Bill...

Such a rebuke deserves support from all sides.

THE YOUNG bearded man sit by a desk, below a portrait of Imam Khomeini...

The Iran-Iraq war Khomeini's crusade: no turning back now

Kathy Evans, one of the few Western reporters in Tehran, describes the mood as Iran prepares for a major military offensive



It is believed that, as a minimum, the Iranians will aim to control cities such as Amarah or to reach the Tigris river.



because of the tussle between the government and the bazaar over who has the right to do the importing...

Few families have emerged unscathed from the conflict which has lasted 44 months

they are not on any peace mission. Last month, a senior foreign ministry official from Iran was snubbed by the Japanese when he mentioned the word mediation...

'Any number of martyrs is not a high investment to pay for getting rid of Saddam'

married couples, coffee and good quality meat are luxury items and a car has become a dream.

Black seeks a hat-trick

"This doesn't indicate any lack of fervour on my part," Sir James Black insisted yesterday about his decision to leave the Wellcome Foundation and move back into academia.

Wellcome, which he joined in 1973, was clearly hoping for a hat-trick. And Sir James was at pains to stress yesterday that his work for the foundation will be carried on in his new research post...

Men and Matters

in securing export orders in India. A passionate Anglophile, Beri has been bewildered by the weakness of British efforts in the Indian oil business.

one of the best jobs in Indian industry: chairman of Engineers India Limited (EIL), the state-owned consultancy formed in the 1960s as a joint venture with Bechtel.

Food for thought

British food gets a boost at this week's London economic summit. The Northern Ireland Partnership has been formed, representing all parts of the business and professional community.

Summit leaders at Lancaster House will also receive a completely British meal at their main lunch. Scotch salmon, Norfolk turkey and British cheeses.

Advertisement for Northern Ireland Partnership featuring 'New Technology? Our Northern Ireland workers take it in their stride' and contact information for SEAN CURRAN, GENERAL MANAGER.

Us and them Permanent Secretaries—the top civil servants who preside over Government departments—seem to be selected in the Whitehall equivalent of smoke-filled rooms.

So is Miss Mueller one of them? "No, not all," one of her colleagues insisted. "She's simply a good civil servant. And good civil servants adapt themselves to their political masters—or mistresses."

Observer

Letters to the Editor

Shipbuilding compensation

From Sir Walter Salomon
Sir—I was interested to read Malcolm Rutherford's article (June 1) "A legal tug of war" on the question of shipbuilding compensation.

This is a case which I have followed with the closest interest since the Act was first passed as long ago as 1977 and I have been involved personally in some most unsatisfactory meetings with the Ministers concerned at the Department of Industry, not to mention the civil servants.

In 1980 in a letter which I wrote jointly with Sir Ralph Bateman we said the following: "Many think the Government has put up the excuse of avoiding retrospective legislation in order not to have to find the money or stock necessary to give the shipbuilders fair treatment."

The Attorney General takes a different view. He is satisfied that he is justified and expects to be successful in using legal procedures to frustrate any redress for the gross inequity—going far towards expropriation in some cases—indicated by the 1977 Act which nationalised ship and aircraft building.

Identical Summit briefings

From the Director, ICC United Kingdom
Sir—Your issue (May 31) on the prospects for the London Summit was very welcome to the International Chamber of Commerce, which has, on behalf of its unique business membership in over 100 countries, briefed all the Governments due to meet at Lancaster House in identical terms.

Airlines and airports

From the Planning Director, British Airports Authority
Sir—The determination of Manchester International Airport's chief executive to increase his business does him credit, but he should not give the impression (May 29) that his efforts to do so are being frustrated by "Government blocking tactics to protect the vested interest of airlines and airports in the south east."

Insurers' direct involvement in the motor repair industry

From the Director, Vehicle Builders and Repairers' Association
Sir—The feature by Eric Short on General Accident entering car repairing (May 25) falls into the all too familiar trap, I'm afraid. Reference is made to insurers never having had a direct involvement in the motor repair industry and their having been criticised for not controlling repair bills which has led to higher premiums.

Women in employment

From Hilary Wilde
Sir—Your leader on "Women in employment" (May 31) is excessively sanguine. There is no substantial evidence that the momentum of the social revolution chartered (charted?) by the DoE will carry women into more of the better jobs currently monopolised by men.

To take one small example: schools are finding that boys take over computer studies courses and information technology courses just as soon as they are started.

From Mrs F. Winter
Sir—Your leader of May 31 chides lack of institutional childcare as a possible explanation for "the fact that only a few women pay to have their children looked after while they work."

From Professor K. Miller
Sir—I have never in my life of 52 years read a letter in the columns of the FT containing so much rubbish. It informed data, infantile calculations and childish reasoning as that of Mr G. N. Woodward (June 1).

Bagehot would have died

From Professor I. Pearce
Sir—it is to be hoped that no one will infer from Samuel Brittan's article "Problems of last resort lenders" (May 24) that Walter Bagehot would have nodded approval to Prof Michael Lipton's suggestion that "last resort lending should take the form not merely of short-term loans and discounts, but of purchases of assets (presumably foreign) debt at a discount."

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Interview with Nigel Lawson

How to soothe the markets

By Max Wilkinson, Economics Correspondent

THE DISTURBING rise of U.S. interest rates during the past two months has put the world debt crisis high on the agenda of the economic summit, which starts in London on Thursday.

In an interview with the Financial Times, Mr Lawson said the debt position "has flared up again, particularly because of the rise in the U.S. prime lending rate from already very high levels and the increased burden which this imposed on the debtor countries."

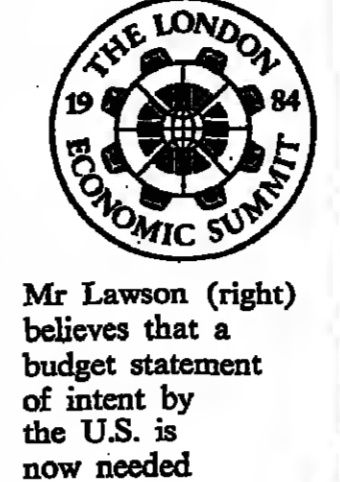
He says the resurgence of anxiety over world debt problems has followed two years of relative calm in which effective action by the International Monetary Fund, the international community and the debtor nations had led to "a feeling that we had arrived at a formula and that we could cope with the problem."

Mr Lawson still thinks that the difficulties can be surmounted by the "case by case" approach of the past two years, but he believes this may need to be modified. "It is certainly not going to be easy so long as the U.S. federal deficit is around the present magnitude."

What, then, can this summit do to help the world's financial system cope with the renewed threats of rising interest rates and wavering confidence? The meetings between heads of state and government will no doubt concentrate on generalities rather than detailed measures.

Government's role, he says, should remain as leader of last resort, with the central banks standing behind the banking system, as happened in the case of Continental Illinois.

For that reason he is against any repetition of the kind of rescue operation put together by the U.S. authorities when Argentina threatened to miss its first quarterly deadline for payment of interest to U.S.



Mr Lawson (right) believes that a budget statement of intent by the U.S. is now needed

clearly now that the problems of the debtor countries—and, therefore, the risks to the international financial system—are going to be much harder to solve unless these countries can find markets for their exports.

He also believes the recent agreement between the U.S. and Japan on the first steps to open up the Japanese capital markets is another hopeful sign.

Longer debt repayment periods: Mr Lawson believes that when countries are genuinely trying to put their own houses in order by following an IMF programme, the commercial banks might offer them longer periods to make their debt repayments.

Any negotiations for new debt maturity terms or for any scheme to set a ceiling on debt service charges should be the concern of the commercial banks, although governments might be closely interested.

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summit last year: we want them to take resolute action to cut their budget deficit substantially.

Mr Lawson was speaking against a background of general anxiety that UK banks' base lending rates might be forced to rise, in spite of an easier trend in the markets yesterday and on Friday.

In much of the summit discussion of the threatening size of the U.S. deficit will be a constant refrain. Mr Lawson recognises that President Reagan may be reluctant to take action before the November presidential election.

Mr Donald Regan, the U.S. Treasury Secretary, has said several times that he sees little evidence of a connection between the level of interest rates and the deficit.

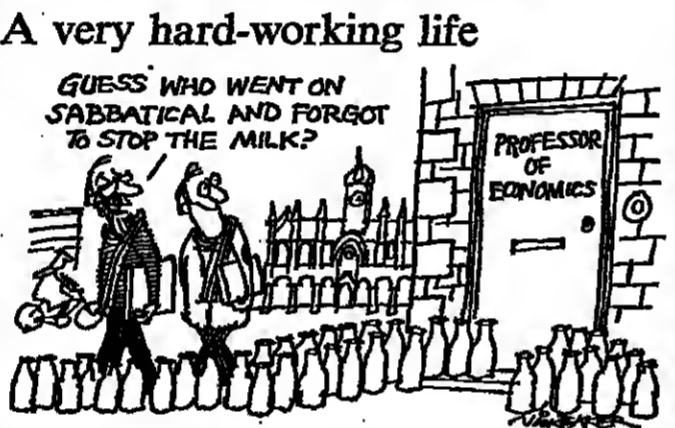
Mr Lawson says the financial markets are worried because the U.S. deficit, instead of falling as was normally expected in a boom period, has risen to extremely high levels by U.S. standards.

The question is: can it continue to be financed in a non-inflationary way by sucking in finance from overseas, because U.S. savings alone are wholly inadequate to finance the deficit at tolerable interest rates?

In spite of the markets' worries, Mr Lawson does not believe that there is an immediate danger of a new wave of inflation spreading from the U.S. The problem is rather that nominal interest rates have been held up because the size of the deficit is making the markets pessimistic about future inflation.

If it looked as if the Administration were determined to take action to curb the deficit, that would have a very favourable effect on expectations.

This is the third in a series of interviews with finance ministers in advance of the London summit.



GUESS WHO WENT ON SABBATICAL AND FORGOT TO STOP THE MILK?

From Professor K. Miller
Sir—I have never in my life of 52 years read a letter in the columns of the FT containing so much rubbish. It informed data, infantile calculations and childish reasoning as that of Mr G. N. Woodward (June 1).

Bagehot would have died

From Professor I. Pearce
Sir—it is to be hoped that no one will infer from Samuel Brittan's article "Problems of last resort lenders" (May 24) that Walter Bagehot would have nodded approval to Prof Michael Lipton's suggestion that "last resort lending should take the form not merely of short-term loans and discounts, but of purchases of assets (presumably foreign) debt at a discount."

Shipbuilding compensation

From the Director, ICC United Kingdom
Sir—Your issue (May 31) on the prospects for the London Summit was very welcome to the International Chamber of Commerce, which has, on behalf of its unique business membership in over 100 countries, briefed all the Governments due to meet at Lancaster House in identical terms.

Women in employment

From Hilary Wilde
Sir—Your leader on "Women in employment" (May 31) is excessively sanguine. There is no substantial evidence that the momentum of the social revolution chartered (charted?) by the DoE will carry women into more of the better jobs currently monopolised by men.

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FINANCIAL TIMES

Tuesday June 5 1984



DEBT PROBLEMS PROMPT CLOSER SUPERVISION

UK acts on overseas bank rules

By Margaret Hughes in London

THE BANK of England is tightening its supervision of the UK branch operations of overseas banks...

The Bank is particularly concerned about London branches with activities heavily directed at lending back to their home countries...

The Bank is increasing the frequency of its discussions with the management of some London branches...

It will also encourage meetings with senior representatives of the foreign parent bank...



EEC to call on Reagan for rates cuts

By Paul Cheeseright in Luxembourg

EUROPEAN Community nations represented at the London summit this week will urge President Ronald Reagan to take further steps to reduce the U.S. budget deficit...

THE LEX COLUMN

Reuters man gets through

A following wind over the last section of the course, and vigorous cheering by its friends, were enough to see Reuters through to the end of the London to New York marathon yesterday...

The final measurement of success will be the depth of trading in the two markets. Some transatlantic migration of stock is inevitable...

Higher profits on the group's gold holdings, as foreshadowed by earlier results and dividend announcements...

Anglo American

The sustained strength of the dollar appears to have dampened the gold-bugs' reaction to big bank scares and burning decks in the Gulf...

Markets

The money market bookies have been rapidly revising their odds on a base rate rise over the past two trading days...

Mexico 'should limit rise of peso'

MEXICO SHOULD step up its mini-devaluation of the peso to prevent its currency from gaining in real value...

Argentina may get new \$500m loan to reduce interest arrears

SENIOR BANKERS are optimistic that an agreement can be worked out with Argentina to ensure that interest arrears on its \$43.6bn foreign debt are reduced significantly...

Final approval of the new solution could still depend on Argentina completing its IMF agreement before the end of June...

Creditor banks would, however, be asked to postpone again a payment of \$750m falling due to them in mid-June...

Depreciation so far this year has not kept pace with inflation, which was 16.2 per cent in the first quarter...

Steel dumping case re-opened

THE U.S. Commerce Department and the International Trade Commission (ITC) have reopened a case, thought dead and buried...

From West Germany and Belgium had injured Gilmore. It must now re-examine the issue, looking at Gilmore as a regional rather than national producer...

The Commerce Department must now investigate the claims of dumping, a preliminary decision is due October 1.

Hart criticises Mondale

ON THE eve of the final round of Democratic Party presidential primaries, former Vice-President Walter Mondale and Senator Gary Hart are continuing to attack each other bitterly...

London takes up slack

It had to cope with fears that its independence might be compromised, a boycott by many UK institutions because of the split voting structure...

Under the new dealing arrangements for Reuters shares, both brokers and jobbers overseas dealing operations, as well as subsidiaries of member firms' international dealers...

World Weather table with columns for location, temperature, and weather conditions.

Reagan renews pledge on arms

Continued from Page 1 "without all the way down to zero" if the Soviet Union did so too, he said.

Mr Reagan said that while the Soviet Union had tried to achieve its objectives through propaganda, the U.S. had methodically put forward "one of the most extensive arms control programmes in history."

He emphasised U.S. flexibility in the Geneva INF and strategic arms negotiations and listed a number of other U.S. proposals for reducing conventional and nuclear forces.

Advertisement for British Aerospace, featuring various aircraft models and text: 'Britain's No. 1 manufacturing exporter', 'Versatile propeller hypertechnology', 'Tornado deliveries to Germany, Italy, UK over 350', '£130,000,000 RN contract boosts Seawolf orders above £330,000,000'.



FINANCIAL TIMES SURVEY

West German Industry

The metalworkers' strike has cast a shadow over the economic upswing but industry's underlying rate of growth is strong and the general mood remains optimistic

DESPITE ALL the obstacles, a new mood of confidence has emerged clearly in West German industry over the last year. True, every month still brings hundreds of company bankruptcies and unemployment hovers at about the 2m mark. Moreover, the key metalworking sector has been locked in a long and bitter dispute, ending in a strike, over trade union demands for a shorter working week.

Why then the buoyancy among industrialists who back in the 1970s, with what was held to be typical German pessimism, often seemed depressed even when things were going well for them by the standards prevailing in most other countries? There are several recent causes but the main one has deeper roots.

The most obvious reason is that the economy is at last pulling strongly out of recession. It was fair to have doubts about that for at least part of last year. Initially foreign demand for German goods was weak and traditionally it has been booming exports which have sparked economic recovery at home.

This time things have been different. Unexpectedly, German consumers went on something of a spending spree. With real wages and salaries stagnating they had to plunder their savings accounts to do so, and as a result the savings ratio (as a percentage of disposable income) dropped to about 13 per cent in 1982. But that surge in domestic demand helped to

propel the economy to a growth rate of 1.3 per cent in real terms after two successive years of contraction.

In the meantime, export business has become buoyant too. With more than one half of their foreign deliveries made up of capital goods, the Germans in particular are benefiting from an economic upturn concentrated mainly on the industrialised world.

Currency factors helping to make German goods more price competitive on world markets have also played a part. The D-Mark has been markedly undervalued against the high-flying U.S. dollar and, arguably, against the currencies of some of the Federal Republic's key customer countries in the European Monetary System (EMS).

With imports rising fast too, the stable trade surplus this year is unlikely to match the record DM 51.2bn figure of 1982. But after allowing for the traditional deficit on "invisibles" most experts believe that the current account surplus will exceed last year's DM 10.1bn. Five leading economic institutes in a joint report this spring even forecast that the current account figure might double.

The economic upturn is being underpinned by stronger industrial investment, itself founded on a marked boost last year in company earnings. On average profits were up by about 20 per cent (admittedly from a very low level), thanks to better use of capacity and wage unit costs which actually fell by 1.1 per cent after rising by 4 per cent in 1982 and by 5.3 per cent in 1981.



Sawing steel billets in the Ruhr

The top performers were the chemicals, vehicle and electrical sectors—with mechanical engineering lagging and steel and shipbuilding still deep in crisis. The outlook for this year is for a further rise in output and earnings—and an increase in overall economic growth of at least 3 per cent in real terms. The strike on the labour front has cast a shadow over that forecast, but has not undermined it.

That broad picture of economic upswing shows why German industrialists are breathing more easily, but it does not of itself wholly account for the change of mood. It would be tempting to claim that the new buoyancy has been caused by government action since the Centre-Right coalition under Chancellor Helmut Kohl replaced a Social Democrat-led administration in October 1982. And there is at least something in that.

For one thing the government has been conspicuously successful in cutting its borrowing—even beyond its own best hopes. Last year its net credit intake was little more than DM 30bn, instead of a projected DM 40bn, and this year the figure seems certain to be lower still.

The action has helped reduce pressure on the capital market, thereby keeping interest rates lower than they would otherwise be, and cut the danger of more inflation. Even with this year's stronger economic

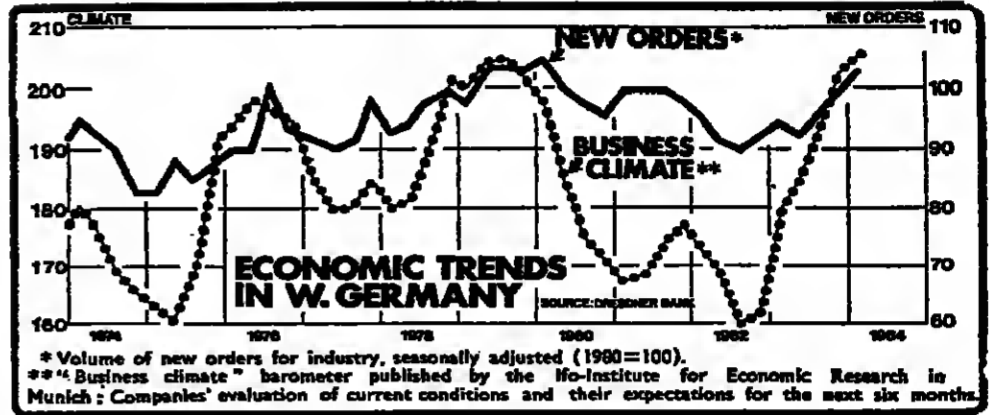
gradually swung away from enthusiasm for social reform and reliance on the state towards support for thrift and personal initiative.

The actual government swing might well have occurred earlier if the Social Democrat Chancellor, Helmut Schmidt, had not been unusually popular in the country, with an understanding of the needs of businessmen which exceeded that shown by his party.

It would be easy to exaggerate—simply to say that the social benefits introduced in the reform era of the early 1970s put an almost intolerable burden of new costs on enterprises, brought less investment and higher unemployment.

The other side of the coin is that the social security network helped to ensure the stability of a state with only a few decades of democratic experience, as inflation and joblessness rose after the oil crisis of 1973-74. It was no foregone conclusion that the Federal Republic would absorb with relative equanimity the burden of even 1m unemployed, let alone 2m.

Nonetheless, somewhere along the line people began to realise that the strains on the private sector had become too intense. It may well have been during the plunge into current account deficit in 1979-81, partly coinciding with the second oil



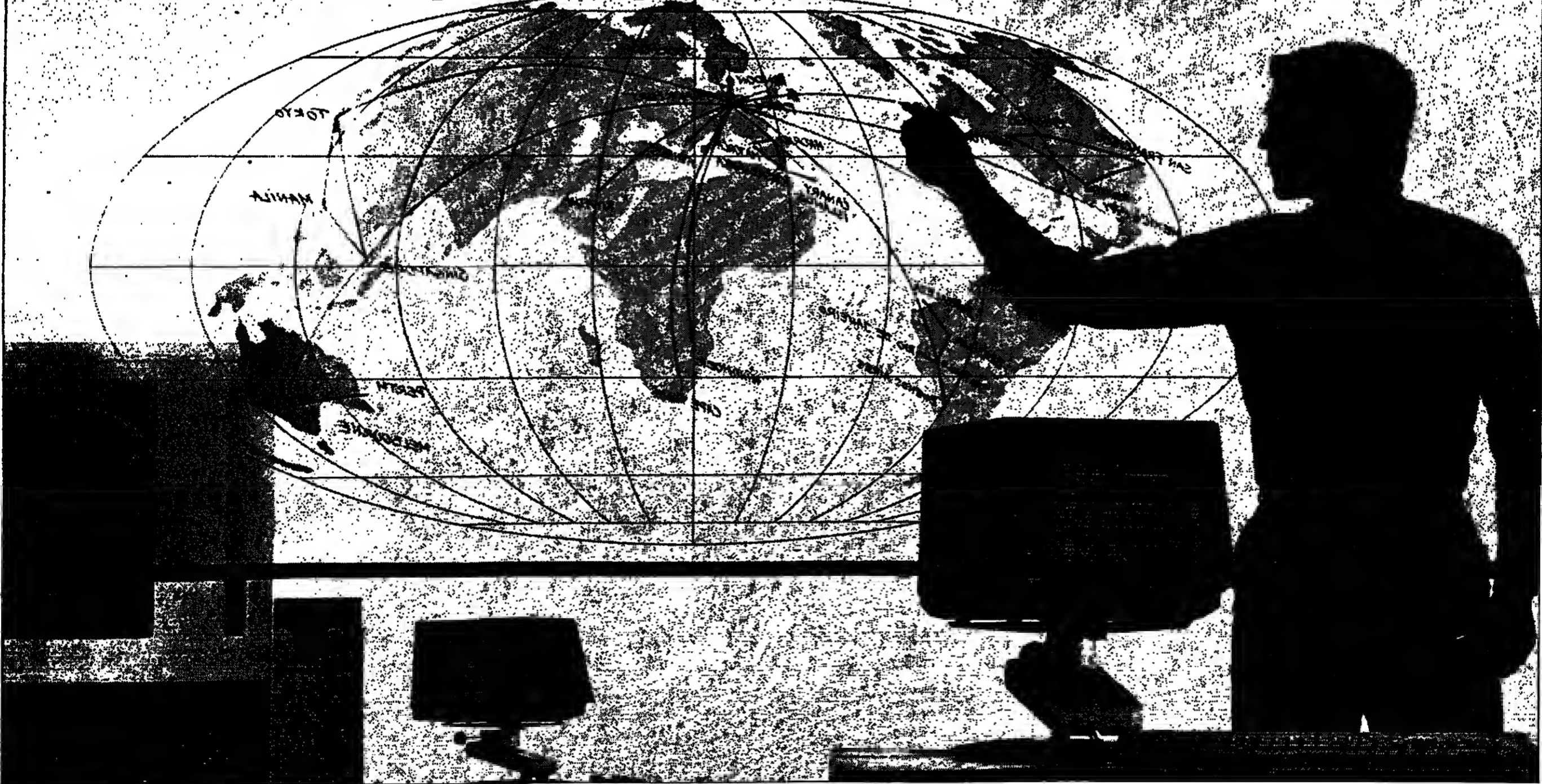
\* Volume of new orders for industry, seasonally adjusted (1980=100). \*\* "Business climate" barometer published by the Ifo-Institute for Economic Research in Munich: Companies' evaluation of current conditions and their expectations for the next six months.

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Editorial production: Michael Strutt
Layout: Dore Wilson

crisis which the country did not ride out as well as it did the first. The threat of foreign competition, especially from the Far East, became ever clearer as major German companies with household names such as AEG-Telefunken and Grundig found themselves in difficulties. The perils of a low equity capital base and the need for better earnings became plain as

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# WEST GERMAN INDUSTRY 2

A big programme of state support for high-tech industries begins this year

## Still ahead in many sectors

### Research and technology

RUPERT CORNWELL

NATIONAL MOODS can be curiously fickle. Up till a few weeks ago, throughout last autumn and winter, there was no more fashionable theme in West Germany than its presumed backwardness in high-technology industries. The country, the argument ran, was irreversibly doomed to industrial senility and decay. America and Japan had built up unassailable leads in such areas as electronics and telecommunications. Hardly a political speech was made without reference to Germany's supposedly small bent for innovation and risk taking enterprise. The most disparate remedies were canvassed: including one by Herr Hans Dietrich Genscher, the Foreign Minister, that the answer lay in the creation of top-crust, "elite" universities. The theme, however, scarcely varied, that the race was as good as lost, hardly after it had begun. But now, with the arrival of spring, the feeling is more sanguine. The Government has played its part by bringing in a DM 3bn (\$1.1bn) programme

of state support for high-tech industries—among the largest such ventures of its kind ever embarked upon by an individual country—and by giving its blessing to the "Esprit" scheme of the EEC. True, the doubts remain. But the broadbrush pessimism has given way to a more measured analysis of the facts, and with it a different picture has emerged, of light and shade in very even quantities. What is more, if West Germany has to make an effort to catch up, the climate could hardly be more propitious. The economy is well balanced, with low inflation and steady, if unspectacular growth in prospect. Moreover, the Centre-Right Government, which has been in office for 19 months, is conspicuously more attuned than its Social Democrat predecessor to private initiative and the needs of industry.

Despite the R and D support programme, the state deficit is being drastically reduced, and public assistance to such "sunset" industries as steel and shipbuilding is being trimmed as far as is possible. But what is happening, sector by sector? The broad pattern which emerges is of a Germany slipping behind the U.S. and Japan by most conventional yardsticks, but still on the whole ahead of the West European pack. Consumption of semi-conductors per head, for example, is barely half that of Japan, the world leader, but little short of double that of the UK. Much the same is true of integrated circuits. More alarmingly however, the statistics increasingly show that much of the required equipment, especially in the data processing field is imported. Ever since 1978 West Germany has suffered a trade deficit in this sector, the last in 1983, being of \$500m. In the key area of micro or desktop computers, long neglected by domestic manufacturers, more than 50 per cent of the market has been won by three U.S. suppliers: Hewlett Packard, Apple and Commodore. The largest German company involved, Triumph-Adler, has just 5 per cent. But then again, as a report in March from the Technology Ministry, under its energetic young Minister Herr Heinz Riesenhuber, underlines, West German producers are strong in the "adjacent" sectors of intermediate data technology and electronic typewriters. On the research side to, all is far from bleak. Siemens, the country's largest electrical group, spends DM 3.5bn a year on research and development, R and D. It is also among the handful of European companies making large volume

"standard" semi-conductors, some of which it sells to IBM. The picture is equally mixed in the chemicals and biotechnology fields. BASF, Bayer and Hoechst, the big three chemical companies, spend by international standards a more than respectable proportion of their sales on R and D. The same is broadly true of pharmaceuticals—but in biotechnology the West Germans are way behind their U.S. equivalents. In robotics also, the figures are uncheering. By the end of 1982, West German industry was using fewer than 4,000 robots, less than a third of the number in Japan and half that of the U.S. It is at such problems that the DM 3bn support programme is aimed. The money will be allocated between 1984 and 1988, above all to the micro-electronic, computer, and telecommunications industries. Software and robotics will get DM 500m, microcomputer peripherals DM 320m, while DM 600m will go towards work on advanced computer systems. The hope is that the electronics industry itself will spend twice as much again as the Government is putting up—meaning some DM 800 or 1000 of such outlays in all. The question legitimately to be asked, of course, is whether a horse taken so expensively to

contradictory statistical "evidence" produced by both sides throughout the dispute underlines that there is no consensus on how best to combat unemployment. Many experts see little noticeable improvement until towards the end of this decade when, for demographic reasons, fewer people will be coming on to the labour market. The urgent problem for the 1990s will then be how to finance pensions with more older people receiving, and fewer younger ones making contributions. At least the Germans may take comfort from a report published this year by the Prognos economic forecasting firm of Basle. It estimates that in 2000, after all only 16 years away, the Federal Republic will have a far richer economy, that the average working year could be about 250 hours shorter than it is now and that the unemployment rate may have sunk to below 2 per cent (or some 400,000 jobless). It is a prospect to dazzle even the most optimistic industrialist of today.

west will in fact drink. But the signs are that it will. The software and robotics programme has already attracted 700 applications, and a previous DM300m micro-electronics programme was a huge success. The rewards in prospect are colossal. The information and communications sector is expected to grow by 7 or 8 per cent a year through this decade, more than double the expansion or even the most buoyant "traditional" industry. More important, there are signs that the cautious attitudes of the past are starting to disappear. West Germans are beginning to discover their own, home-made, "Silicon Valley" pockets of dynamic enterprise. Venture capital, perhaps an overrated elixir, is starting to be seen, while the trend towards smaller, more flexible companies is gathering pace. That, possibly, is the most important pointer of all. Arguably not the least handicap the average large West German company faces is its own trend towards perfectionism. The gradual development of the best possible product has proved a winning formula in traditional sectors such as engineering. But in electronics a long-laboured product, superior to its rivals on paper, may simply be out of date when it finally appears.

## Optimistic mood

CONTINUED FROM PAGE 1

thousands of companies were driven to the wall in a long period of high interest rates. A change of attitude emerged which, bit by bit, encouraged a more favourable assessment of new technology, made careers in science and engineering more popular again, brought the rise of the Federal Republic's first venture capital outfits and stimulated long overdue reform of the country's puny stock market. On the way, the Centre-Left coalition, which had been born in quite different economic and financial conditions, was swept away. Industrialists were never quite the nation's whipping boys in the 1970s but nor were they its heroes. Now they can claim, as all Germans did in the "economic miracle" period of post-war reconstruction: "We're really somebody again."

That does not mean all is now plain sailing. Germans are still adapting rather slowly to changing world economic conditions, not least because of that perfectionist trait in their character which also makes them so successful once they have finally come out with a new product. They are among the world leaders in such fields as industrial robotics, high-performance cars, optical instruments and in the application of electronics to production. They tend to be behind in quite new sectors like biotechnology and micro-electronics. On the labour front, there is no good reason to suppose that the strike over a 35-hour week signals the end of relative social peace in West Germany. But it has highlighted the lack of really outstanding leaders on both sides of industry. The flood of argument and

### KEY FIGURES FOR MAIN GERMAN INDUSTRIAL SECTORS

	Employees	Turnover (DM bn)	Exports (DM bn)	Imports (DM bn)	Foreign trade balance (DM bn)					
Vehicle building	1982 769,000	1983 752,000	1982 127.6	1983 133.8	1982 72.6	1983 72.5	1982 17.3	1983 21.2	1982 +55.1	1983 +51.4
Mechanical	1,708,000	1,666,000	136.4	132.8	74.1	73.4	24.4	27.6	+49.2	+45.8
Chemical	534,000	524,000	117.9	126.8	63.9	59.5	31.5	34.3	+22.5	+25.3
Electrical Engineering	881,000	845,000	108.2	111.8	41.5	41.8	23.9	26.1	+17.5	+15.9

Source: Federal Statistical Office

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**Frankfurt. Preferred by decision-makers.**

VIDEO TELEPHONES are being tried out by a select few in trials in various West German cities, cable television is being viewed by residents of Ludwigshafen and Munich, while other cities are awaiting a similar service. Bildschirmtext (BTX), West Germany's version of videodata, is being steadily and laboriously extended throughout the country, opening the prospect, for example, of home banking. These are just a few of the more visible signs of the impact on West Germany of the revolution in world communications. At the heart of these developments inevitably is that vast monolith, the Bundespost, the West German postal and telecommunications authority, with its 0.5m employees presided over by the somewhat embattled Herr Christian Schwarz-Schilling, the Postal Minister. After earlier cutting a figure of some flair, Herr Schwarz-Schilling has come under increasing fire in recent months over various aspects of communications policy. The sources of criticism have included the Deutsche-Industrie und Handelstag (DIHT), an influential organisation of businessmen, and a former post office executive, Dr Franz Arnold. Among other things, doubts have been expressed about the Bundespost's heavy outlay on laying copper coaxial cable throughout the country. More emphasis is being sought on promoting technological development by forcing the pace of digitalisation of telephone equipment and application of optical fibre cable. There are also fears that the traditional postal services are being run down because of cost pressures. The Bundespost rejects such criticism as misplaced. It points to its efforts to stimulate an array of communications technology through orders for

## Criticisms on aspects of national policy

### Telecommunications

JOHN DAVIES

German companies. Cable TV, as well as Bildschirmtext, will prove able to generate demand once reaching a certain scale. While some postal operations are being pruned, basic services remain intact, it claims. One of the first acts of Herr Schwarz-Schilling on becoming Postal Minister 18 months ago was to double the outlay on cabling to DM 1bn (\$370m) a year. This is a hefty slice of the Bundespost's finances, even allowing for its total investment outlay of well over DM 14bn a year. Some critics, including Herr Arnold, argue that the cost of cabling would be left more in the domain of private enterprise, so that the Bundespost could concentrate on tasks more directly related to future technologies, such as digitalisation. The Bundespost has already taken steps to promote digitalisation with decisions to award contracts for series production of digital exchanges for both long-distance and local networks. After lengthy tests, contracts were awarded to both Siemens with its EWSD system, and Standard Elektrik Lorenz (SEL), a subsidiary of IFT of the U.S., with its System 12. Plans are also under way for an integrated service, based on

digital technology, joining telephone, telex and data transmission services. This would be tested from 1986 and introduced from the end of 1987. In optical fibre, the Bundespost has committed itself to take 100,000 kilometres of fibre a year for ten years from 1985 to link major cities. This assurance underpinned a proposal by the five leading cable makers in West Germany to set up a joint factory to make optical fibre in West Berlin. The proposal,

ANT-Nachrichtentechnik, SEL and MBB/Erno and the first satellite, Koperstein, is to be launched in mid-1987. The Bundespost claims it is acting to meet recognised present and future demand and is consciously trying to promote the interests of local companies. It justifies such a nationalistic attitude by pointing to the continued exclusivity of many other national telecommunications markets. This was made clear in a

### The Bundespost has come under fire over the pace of development

however, has long had question marks over it, not least because of doubts that it would be approved by the Cartel Office. The Bundespost has commissioned a series of projects to test optical fibre transmission. In one project, an optical fibre link is being pushed southward from Hamburg to Munich, linking main exchanges. In localised areas of seven cities, the Bundespost has introduced experiments with optical fibre communications, known as BIGFON, allowing such services as video telephones. In space communications, the Bundespost has awarded contracts worth over DM 615m to a consortium to build a satellite system for telephone and TV transmission. Major work is to be carried out by Siemens,

recent joint declaration by Herr Schwarz-Schilling and by the telecommunications industry, which employs 300,000 workers, has annual sales of DM 14bn and exports 30 per cent of production. They said they favoured liberalisation of world telecommunications markets and standard technical regulations, but were not prepared to "go it alone" in opening up the German market. The Minister added, however, that West Germany was prepared to enter mutually beneficial telecommunications deals with other European countries. Although it is profitable and pumps funds into the Bonn government's coffers, the Bundespost has financial headaches. The telecommunications service has to subsidise the heavily loss-making postal operation. Efforts

to prune the postal services raise a hue and cry, as evident from the reaction to plans to cut out early and late collections of mail from some post boxes. The Bundespost, meanwhile, is building up a momentum of debt, expected to reach DM 50bn this year. The dilemma of the Bundespost, according to Mr Malcolm Ross, telecommunications expert of the Arthur D. Little consultancy, is that it is forced to operate within tight constraints. On the one hand, telecommunications is a fast-growing industry needing heavy investment, but like all government agencies, the Bundespost is discouraged from taking risks. In addition, marketing has been weak, as with other countries' postal authorities. Makers of telecommunications equipment face some problems, partly because they have tended to lose some autonomy in product development and marketing in view of their dependence on the Bundespost. "The expense of developing the next generation of telecommunications equipment has become so high that it is no longer viable to consider a national market," says Mr Ross. Already, Japanese and U.S. companies are "banging on the door" of West Germany, offering sharp price competition and advanced techniques. Moreover, telecommunications is becoming increasingly enmeshed with office equipment and computerisation. Terminals such as personal computers are being only occasionally used to link with the telephone system and mostly for other purposes. "The tail has grown bigger than the dog," as Mr Ross puts it. "The investment in a computer terminal or word processor is much bigger than the telecommunications investment, but still the dog is trying to control what the tail is doing."

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# WEST GERMAN INDUSTRY 3

## Strikes challenge competitiveness

### Motor Industry

JOHN DAVIES

FOR A LONG while the road signs for the West German motor vehicle industry pointed to a bumpy road ahead. But few people really believed that motor manufacturers would find themselves careering off into a ditch.

The labour conflict which has disrupted and halted assembly lines will leave quite a few emotional scars among workers and managers.

The companies braced themselves for the prospect of trouble because they felt they needed to defend their cost structure and international competitiveness as much as possible in the face of trade union demands for a shorter working week.

After all, the West German motor industry, with its 780,000 workers, exported 57 per cent of the 4.17m cars and other vehicles produced within the country last year. It contributed about DM 73.8bn (\$27.3bn) to Germany's export earnings.

Trade union leaders, for their part, eventually built up such a momentum in their lengthy campaign in West Germany's metal industries that they faced little choice but to sweep their members along in a tactical and at times tortuous struggle.

The decision of the union, IG Metall, to call strikes at key vehicle component suppliers was followed within days by the disruption of production at various works, including major factories of BMW and Daimler-Benz.

The speed with which some vehicle manufacturers halted operations showed their close reliance on steady supplies from the component makers. But the strategy of keeping stocks as low as possible is one effort West German vehicle makers have adopted in recent years to improve their financial performance in a fiercely competitive business.

The labour troubles and their repercussions are not the only hallmark of the West German vehicle industry in what has been a fairly significant year.

Daimler-Benz, for instance, has made a major advance with the transformation of its Bremen plant into a second large-scale car production centre in addition to Sindelfingen near Stuttgart.

Ironically, though, the company originally planned to demonstrate the plant proudly to the world's press at the very time that the industry's labour problems erupted.

With the aid of the Bremen works, Daimler-Benz had set a target of well over 4m cars this year, after squeezing 476,180—an extra 3.9 per cent—out of its straining plants last year.

In the company's strategy, production of light commercial vehicles is being shifted away from Bremen to be concentrated in Düsseldorf.

Commercial vehicles, particularly buses and large trucks, remained a problem for Daimler-Benz last year.

But Professor Werner Breitschwerdt, who took over as chief executive after the death of Dr Gerhard Prinz late last year, has asserted confidence in the future of truck output. All forecasts indicate, he says, that commercial vehicles, with their economy and flexibility, have good potential.

In another respect, this year has seen a milestone in the West German car industry with BMW symbolically laying the foundation stone for its new factory at Regensburg in Bavaria in a major new expansion move.

BMW, which lifted car output 11 per cent to 421,000 last year, envisages turning out 100 cars a day at Regensburg by 1988, twice as many by 1991 and 400 a day by 1991.

The situation here also has been fraught with irony as the ceremony took place only weeks before the effects of the labour dispute led the company to halt

assembly lines. Some time ago, BMW was even hinting that Regensburg might not even go ahead if the union succeeded in winning a 35-hour week.

Meanwhile, Porsche, which claims a niche of its own in the prestige car stakes, has been wrestling with ambitious plans for a new distribution system in the U.S., where 20,200 of its 44,800 cars were sold in its 1982-1983 business year.

The company's owners—descendants of the founder, Professor Ferdinand Porsche—recently took the decisive step of launching non-voting preference shares on the West German stock market.

Although the move was basically aimed at giving family members more flexibility in realising the wealth fate has thrust upon them, the stock exchange launch also gave the company DM 63m in cash through a capital increase. Porsche now has better room for manoeuvre in future fundraising.

At Volkswagen, which has been an ailing giant, this year began encouragingly with Dr Carl Hahn, the chief executive, reporting a turnaround to a group profit of DM 51m in the first quarter compared with a DM 100m loss a year earlier.

VW and its thriving Audi subsidiary sold 2.1m vehicles last year and had high hopes of boosting sales this year, des-

pite problems in Latin American markets.

VW's Golf, produced with a high degree of robot assembly, has made a big market impact in West Germany. The company has been preparing to start up its production, with the aid of German-imported robots, in the U.S.

Opel, the West German subsidiary of General Motors of the U.S., earlier this year announced plans to invest DM 7.4bn in a five-year programme of modernisation and vehicle improvement.

Last year, Ford's West German subsidiary indicated it planned a hefty investment outlay of DM 4.4bn over five years.

Before labour troubles began to bite, West Germany's vehicle production was running well ahead of last year, although the Automobile Industry Association (VDA) claims to have detected signs of slackening momentum once seasonal factors are taken into account.

Output of all types of vehicle was 9 per cent ahead of a year ago in 1.55m. But production of cars in April, hit as usual by holidays, was significantly down on the same month last year.

West German new car registrations gave rise to some worries in March, by showing a 7.1 per cent decline on a year earlier. In April, however, new registrations were 5.2 per cent up on a year ago.

New car registrations rose a healthy 12.6 per cent in West Germany last year, as the economy began to revive, and were up a further 4.9 per cent in the first four months of this year.

The Japanese, who slipped back in 1983 with only 9.8 per cent of the German market, rebounded to take 10.6 per cent last year and extend their share to 11.2 per cent in the four months to the end of April.

One of the most bitter aspects of this year's labour conflict is the repercussions abroad, where West German manufacturers have been making more headway, especially in the U.S. Vehicle exports in the first four months of this year reached 851,500, compared with just under 790,000 a year earlier.

One of the latest West German moves to exploit potential abroad is Daimler-Benz's decision to begin truck production in Turkey, in addition to its bus and diesel motor operations there.

Although total West German truck production abroad has been falling sharply, car output in foreign works has been growing steadily. On-balance, 1.28m West German vehicles were produced abroad last year, an increase of 19.2 per cent.

### WEST GERMAN MOTOR VEHICLE PRODUCTION (millions)

	1981	1982	1983
At factories within W. Germany			
Cars	3.58	3.76	3.88
Commercial vehicles	0.29	0.29	0.29
Total	3.87	4.05	4.17
At factories abroad			
Cars	0.89	0.93	1.16
Commercial vehicles	0.17	0.15	0.19
Total	1.06	1.08	1.35

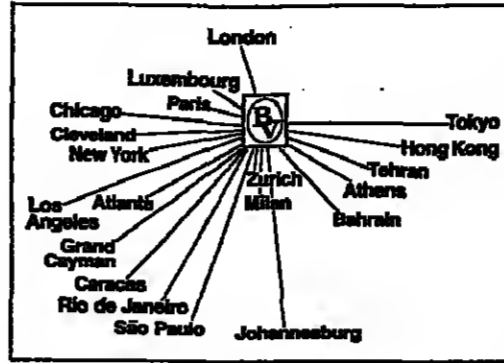
Source: West German Automobile Industry Association (VDA)

### WEST GERMAN MOTOR VEHICLE EXPORT MARKETS (Cars and commercial vehicles)

	1982		1983	
	Volume (thousands)	Per cent	Volume (thousands)	Per cent
EEC countries	1,427	59.5	1,436	60.0
Other Europe	471	19.7	458	20.0
Total Europe	1,898	79.2	1,894	80.0
North America	274	11.4	284	12.0
Latin America	9	0.4	7	—
Africa	65	2.8	55	2.0
Asia	127	5.7	125	5.0
Other (including Australia)	11	0.5	19	1.0
Total	2,387	100.0	2,389	100.0

Source: West German Automobile Industry Association (VDA)

## Bayerische Vereinsbank: '83 assets and profits up, another successful year.



### Bayerische Vereinsbank Group 1983 at year end 1982

Total Assets	113 530	105 548
Deposits		
Banking Sector	41 943	38 972
Loans		
Banking Sector	29 625	27 831
Bonds Issued		
Mortgage Sector	64 737	60 143
Loans		
Mortgage Sector	65 056	61 033
Capital Resources	2 459	2 398
Consolidated Profit	131	116
		(in millions of DM)
Staff	12 979	12 641
Branches	472	471
BV's Dividend per 50 DM share	11 DM	10 DM

Bayerische Vereinsbank continues successful performance in 1983.

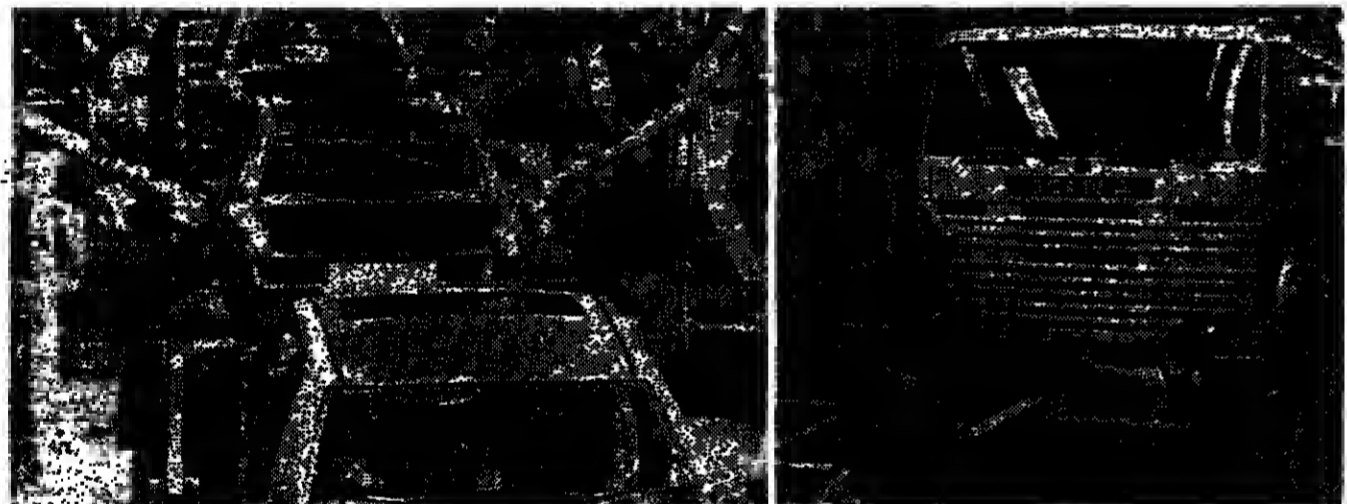
With consolidated assets of over DM 113.5 billion, Bayerische Vereinsbank is one of the four largest banks in the Federal Republic of Germany.

Should you be interested in more detailed information about BV's 1983 results, we shall be pleased to provide you with our Annual Report in English, German or French.

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**BAYERISCHE VEREINSBANK**  
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Above: spot welding at Daimler-Benz and (right) trucks on the Scania production line

### PROFILE: PETER SCHUTZ

## Close scrutiny as U.S. nettle is grasped

HERR PETER SCHUTZ is facing a major test of his managerial skills and inescapably it is occurring more and more in the limelight of publicity.

As chief executive of Porsche, the West German sports car maker, Herr Schutz presides over a prestige company, with sales exceeding DM 2bn (\$746m) a year, in the glamour industry of luxury vehicles. But he has grasped a stinging nettle in trying to revamp Porsche's U.S. marketing network and is also running up against the problem of future production expansion.

Not only does he have the family shareholders looking over his shoulder, he faces much closer scrutiny from outsiders now that Porsche has taken the crucial step of launching shares—even though only in the form of non-voting preference shares—on the German stock market.

A penial frank-talking figure in his early fifties, Herr Schutz seemed in many ways made to measure for the top job at Porsche when he was brought in just over three years ago.

Born in Germany, he was taken to the U.S. as a child and has acquired an insight into both European and American ways of thinking—an obvious advantage to a company which sells nearly half of its output in the U.S. After experience with U.S. companies he moved to West Germany in 1978 to join the management board of Klöckner-Humboldt-Deutz



Peter Schutz: queuing up in the canteen

(KHD), the engineering concern.

His appearance at Porsche's headquarters in southern Germany ushered in a different style. His predecessor, Prof Ernst Fuhrmann, had held sway for eight years after the related Porsche and Pech families withdrew from day-to-day management. But Prof Fuhrmann met with dissatisfaction over the company's performance and model production, and was felt to be too dominant and too inde-

pendent.

Herr Schutz has been keen from the start to consult family shareholders, notably Dr Ferry Porsche, son of the company's founder.

To the workforce and the world at large, he immediately conveyed an image of disarming openness and camaraderie. There he was, for instance, pictured in the German press, queuing up with overalled car workers in a canteen to get his meal on a tray.

As well as applying his engineering know-how, Herr Schutz has taken a close interest in improving marketing and in enhancing the Porsche image as a combined car, plaything and status symbol.

His first real setback has occurred where perhaps least expected—in his dealings with Americans.

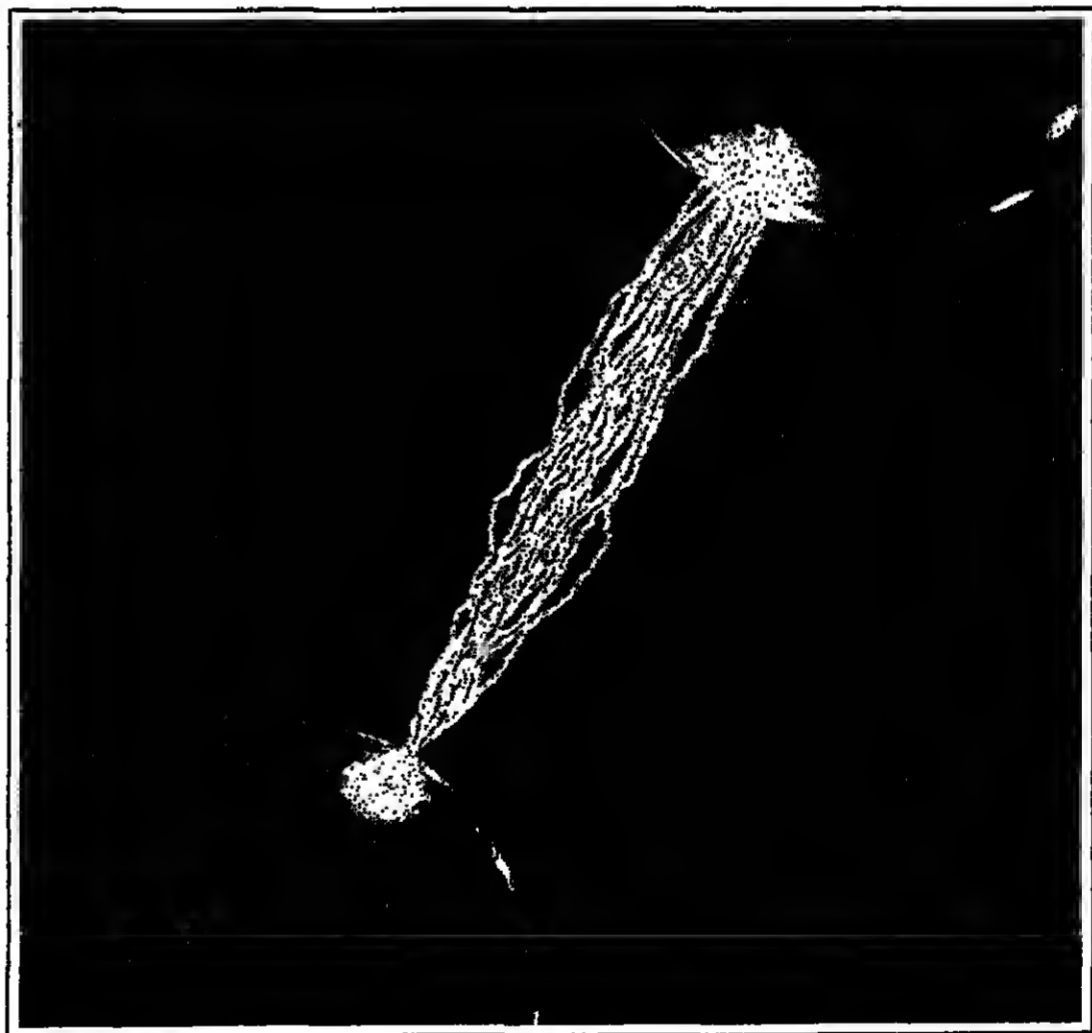
Porsche has decided to go it alone in U.S. distribution from the end of August, pulling out of a joint venture with Volkswagen's Audi subsidiary. But it has had to modify its plans because of a revolt by U.S. retail car dealers, who feared they faced less independence and more competition from proposed new Porsche branches.

With capacity tight, Porsche is also struggling with the problem of expanding output in West Germany. This is made all the more complicated by the individual nature of each car.

Porsche gained a sizeable injection of capital, coinciding with the stock market launch earlier this year. Theoretically, it now also has access to a wider source of funds for future expansion, although family shareholders are determined not to sell voting shares to outsiders.

For Herr Schutz, the stock market launch is a mixed blessing. In a sense it strengthens the company and enhances its status. But the spotlight is on him even more and he has a lot of back-seat drivers.

John Davies



WestLB

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<b>Breweries</b> Nigeria Golden Guinea Breweries Ltd. Lusaka/Imo State 600,000 hl/year	<b>Cocoa Products</b> Nigeria Ile Oluji Cocoa Processing Co. Ltd. Ile Oluji/Ondo State 30,000 tons/year	<b>Oleyella/Bendel State</b> 450,000 tons/year Indonesia P.T. Semen Tonasa Pangkajene/Sulawesi 510,000 tons/year	<b>20,000 tons/year</b> Thailand Bangkok Glass Industry Ltd., Bangkok 45,000 tons/year	<b>100,000 tons/year</b> South Korea Donghae Pulp Company Ltd. Onsan 90,000 tons/year
<b>Seger Ware-</b> <b>house and Astry</b> <b>Construction</b> Iraq State Organisation for Food Industries Um Qasr 100,000 tons Storage Capacity	<b>Ceramic Plants</b> Pakistan Swar Ceramic Co. Ltd. Shahid/NWFP 220,000 m <sup>2</sup> /year	<b>Castles</b> <b>Glass Factories</b> Nigeria West African Glass Co. Ltd. Port Harcourt/ Rivers State 75,000 tons/year	<b>Pulp and</b> <b>Paper Mills</b> Indonesia P.N. Lejles Prebeling/ East Java	



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# Selling hard against Japan

Engineering  
JONATHAN CARR

WEST GERMANY'S mechanical engineering association (VDMA) has just opened an office in Tokyo, only the second office the association so far has established abroad.

The first is in Brussels, heart of the European Community, which alone takes nearly 40 per cent of Germany's mechanical engineering exports. It is hoped that the new one will help companies penetrate the tough domestic market of what has become German engineering's most vital competitor—Japan.

While the West Germans still have the second biggest share of the world engineering export market, after the U.S., the Japanese have been catching up fast over the last decade. The Japanese are also taking a growing, though still relatively small, share of the German domestic market itself.

While German engineering companies increased their exports to Japan last year by just 1 per cent to DM 1bn (\$370m), the Japanese raised their deliveries to Germany by no less than 35 per cent to DM 1.1bn. The resulting German bilateral deficit of more than DM 1bn was nearly twice as big as the one in 1982.

Much the biggest reason for Japan's success was that it boosted its exports to Germany of office and information equipment by more than 62 per cent so that this sector alone now accounts for over half of Japan's "mechanical" engineering deliveries to the German market.

It may seem odd to class office and information equipment as "mechanical" at all, but then the advance of electronics into traditional production sectors is making it ever harder to make a clear distinction between "electrical" and "mechanical" engineering.

The Germans feel that at least part of the reason for that 62 per cent rise was that the Japanese have been guilty of dumping—hence the recent anti-dumping complaint made to the European Commission in Brussels by German (and other European) office equipment makers.

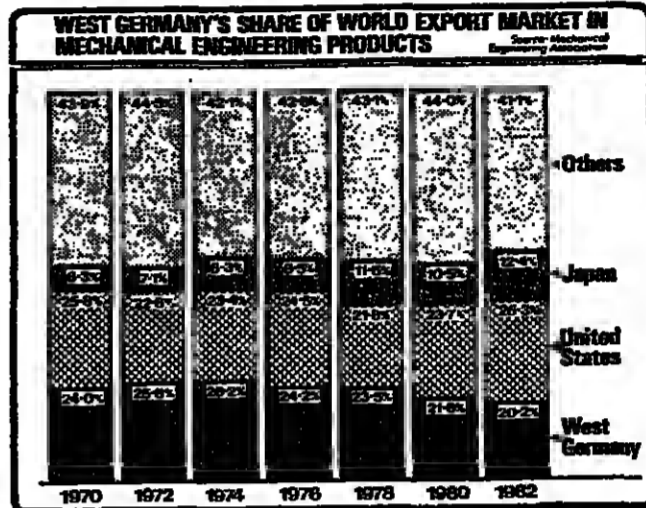
Another part of the cause could be that the Germans have simply fallen behind in this field, as they have in several key electronics sectors against both the Americans and the Japanese. There is something in this explanation, though it does not mean that the German office and information equipment sector is down and out for the count.

The sector achieved production growth last year of 19 per cent, more than almost all other sectors of mechanical engineering, and exports too rose by 19 per cent to DM 8.6bn. But imports increased more quickly still.

This concentration on the "Japanese challenge" might seem excessive. After all, the "power house" of the German economy, as the mechanical engineering sector is often called, last year exported goods



Building railway engines in Essen—heavy engineering is Germany's "power house"



a 10 per cent share of foreign orders placed with German plant makers, compared with a 25 per cent share in the late 1970s.

The Germans complain that ever more intense international competition is bringing worsening order terms, mounting risks and severe pressure on profit margins. Above all, they stress that non-German firms often benefit from more favourable, state-backed export credit terms which give a decided price advantage.

The German manufacturers have long begged, with little success, for a more generous policy from Hermes, the Federal Republic's own export credit insurance company.

Indeed, Hermes' fees have been raised on decision of the Bonn government from April this year. The action may increase the trend for German companies to work through subsidiaries in countries abroad, where they can be sure of winning export credit benefits they cannot obtain at home.

Apart from the special difficulties of the plant makers, Germany's mechanical engineers face a potential problem with the structure of their export business. At present nearly 70 per cent of their foreign deliveries go to the major industrialised countries, less than 4 per cent to the states of the Pacific basin region.

For the moment this benefits the Germans, in view of the current economic upswing which has been led by the United States and which is spreading to Germany's key customer countries in Europe. But in the longer run the markets of the Pacific and South-East Asian states look set to offer rates of growth well above the average.

The Japanese and the Americans are well placed to take advantage of the increasing demand, the Germans much less so. The opening of that VDMA office in Tokyo marks one small step by the Germans towards boosting their share of the Asian and Pacific market. But a lot more needs to be done if the German engineers are to keep their status as the world Number Two, with the Japanese snapping at their heels.

worth DM 73.6bn while imported engineering goods were worth just DM 27.5bn.

The resulting trade surplus of DM 46bn for the sector was bigger than the surplus West Germany achieved in its entire visible trade transactions in 1983. The Germans still have the biggest export market shares in a wide range of engineering products: from rubber and plastics processing machinery (a 35 per cent share) to textile machinery and weighing equipment (30 per cent each).

Nor is it as though no German companies have been able to notch up striking successes in Japan. For example, Biedelberger Druckmaschinen, a manufacturer of printing machinery, has been able to sell more on the Japanese market itself than has any Japanese competitor.

The Germans still pride themselves on having a bigger range of engineering products on offer than any world competitor. They have made quick progress over the past few years (after a slow start) in applying electronics to products and production methods. And they are almost certainly in the lead when it comes to tailoring their goods to suit individual customer needs.

But the latter benefit also

makes the German products expensive. As Dr Otto Schiele, president of the VDMA, points out: "If today we have to accept the position of number two on world markets more often than we would like, in 30 per cent of these cases it is because we have lost out to the competition on price, not on technology."

That point about price applies in a special way to Germany's industrial plant makers, who have suffered two years of disastrous slump caused above all by a collapse of foreign demand. Orders which totalled about DM 25bn in 1981 fell to DM 20.2bn in 1982—and then plunged by a further 30 per cent to DM 14.2bn last year.

On the face of it industrial plant sales, look far more healthy, rising by 10 per cent to more than DM 20bn in 1983 and likely to increase at a similar rate this year too. But because of the long project duration in the plant business, that sales boost only reflects the buoyant demand of many years earlier.

The more recent setback in orders partly reflects the debt problems of the developing world. But orders from the state trading nations are down sharply too—to only DM 928m from DM 2.7bn in 1983. These countries now account for only

# Kreditanstalt für Wiederaufbau

Highlights from the Balance Sheet as at December 31, 1983

Assets	DM million	Liabilities	DM million
Cash Reserves and Balances with Banks	1,051	Banking Liabilities	56,273
Securities	1,804	Promissory notes	950
Loans	60,823	Bonds	3,760
Participations	176	Provisions	165
Real estates and buildings	21	Capital	1,000
Unpaid Capital	850	Reserves	1,891
Loans on a trust basis	7,197	Loans on a trust basis	7,197
Other Assets	822	Other Liabilities	1,508
<b>Total Assets</b>	<b>72,744</b>	<b>Total Liabilities</b>	<b>72,744</b>

We shall be pleased to send you on request a copy of the Annual Report for 1983 together with a summary of Kreditanstalt's activities.

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# Modest optimism after the closures

Steel  
JAMES BUCHANAN

GERMAN STEELMAKERS are a gloomy bunch on the whole but this year they are a little more optimistic in their outlook for Europe's largest steel industry—but for a set of reasons quite unrelated to the threadbare free market principles to which they still cling.

The reasons are these:  
● The federal government in Bonn is making good up to DM 3bn (\$1.1bn) in aid to the strapped companies to help cover the cost of laying off workers and modernising plant.  
● The European Community agreed in January to extend until the end of next year the system of price and production controls which has maintained a medium of order in the market.

● Kloeckner-Werke, the maverick producer which has not conformed to its quotas has been reformed in the courts and is now negotiating with the European Commission and the Eurorfer and West German producers' clubs for a return to the production system. With a bit of application, the German producers could then bury their considerable personal animosities and form a united front in Europe.

Across this mood of modest optimism falls the shadow of the strike called by the IG Metall engineering union in support of a shorter working week. Although IG Metall is most unlikely to seek strike action in the battered steel industry, as occurred with only moderate success in the winter of 1978-79, shortages affecting such important customers as the motor industry will work through to the steel companies in a matter of weeks.

Despite this threat, the producers' club in Düsseldorf reckons that production this year will be 38m tonnes of



Working with hot billets at Krupp

crude steel, compared with 35.7m tonnes in 1983, while the Westdeutsche Landesbank and some companies go even higher.

Because of the closures and lay-offs of the past three years, notably at Krupp and Hoesch, production and capacity are moving closer into line. This should improve profitability after last year's losses of about DM 2bn, provided that the last round of price increases, on April 1, continues to hold.

The companies desperately need a breathing space to consolidate their financial base after ten years of attrition. Ironically it is Hoesch—at the end of the 1970s thought ripe for bankruptcy—that is most self-confident after its slimming cure. The Dortmund company is planning a rights issue later this year, a step that Thyssen has not yet dared take.

Krupp Stahl, Kloeckner-Werke and the Saarland indus-

try now known as Arbed Saarstahl, are heavily burdened with debt. Herr Herbert Glenow of Kloeckner-Werke continues to surprise the industry with his aplomb in raising funds, most recently through issues of convertible loan stock backed by CRA of Australia, which has an interest in Kloeckner processes.

However, it is unlikely that Kloeckner will be accepted back into the fold without slumping up at least the first DM 50m in fines imposed by the European Commission for overstepping quotas at the Kloeckner mill in Bremen. Arbed Saarstahl, which has to be sustained by regular transfusions of cash from Bonn, is fortunate in the timing of a state election next year.

The fruitless discussion of merger plans in 1982-83 has left deep wounds although the producers are talking more readily to one another, at least over exchanges of quotas to suit

their production programme. Even Thyssen has not been spared bitter recrimination and an extraordinary intrigue against Herr Dieter Spethmann, its chief executive, after the company's dividends dropped, surfaced in public at the annual meeting of the company in March. Herr Spethmann seems to have routed his foes and can now concentrate on rationalisation which will account for the majority of the 21,000 jobs expected to disappear in the 168,000-strong industry by the end of 1985.

That is also the deadline for the last subsidies in the European industry but is most unlikely to be met and France is already proposing an extension of the crisis system into 1987. The hand-to-mouth existence of the German industry looks unlikely to disappear for some time.

WEST GERMAN INDUSTRY 5

Set for moderate growth

Chemicals  
JOHN DAVIES

AFTER AN exceptionally rapid recovery last year, West Germany's chemical industry has set its sights on more moderate growth this year. Although some notes of caution have been sounded about the future, chemical companies have been looking forward to further healthy financial results.

The chemical industry—one of the traditional mainstays of the West German economy, with well over half a million workers—was in the forefront of the country's tentative revival from recession last year.

Initially, the chief stimulus came from the domestic market, as car manufacturers and home builders placed more orders for chemical and plastic products. Exports then gathered pace, with sales especially strong in North America, Asia and some West European countries.

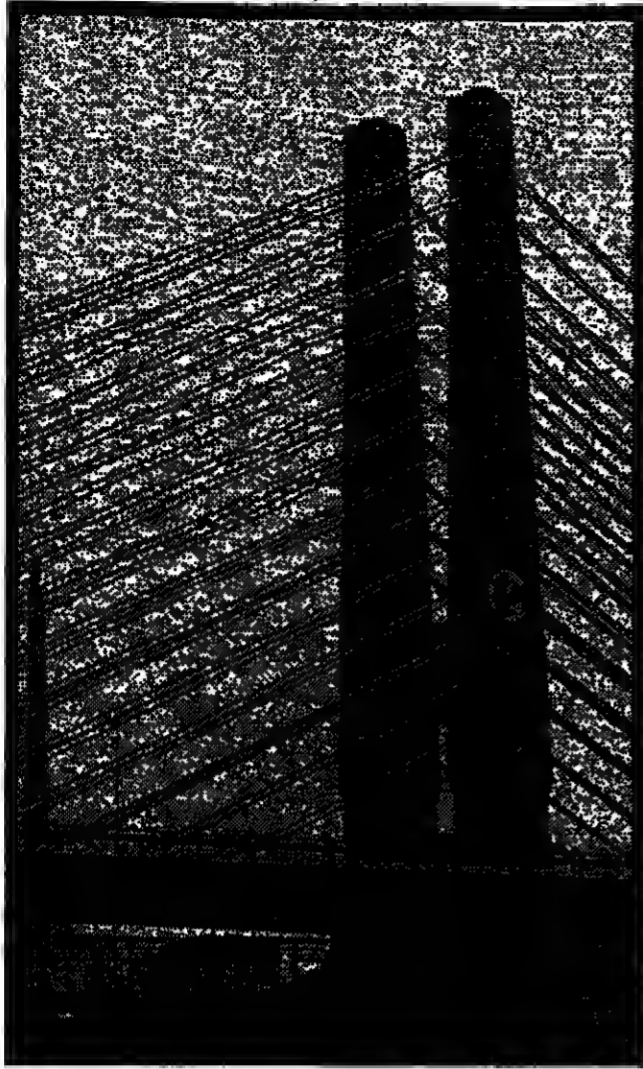
The volume of chemical production, which slipped about 4.8 per cent in 1982, rebounded 7.3 per cent last year. Commodity plastics, long a problem area, were among those products which showed above-average growth.

Sales revenue of chemical plants in West Germany increased by 7.6 per cent to DM 126.8bn (\$47bn), with the rise brought about almost entirely by the extra volume of sales rather than price increases.

Chemical exports rose 10.3 per cent to DM 61.3bn, but chemical imports also rose — by 9.2 per cent to DM 34.7bn — to take a record 34 per cent of the West German market. Imports from the U.S. and Eastern Europe declined, but there was an above-average increase in imports from other European countries and members of the Organisation of Petroleum Exporting Countries (Opec).

The rapid increase in chemical production raised capacity utilisation to an average of more than 80 per cent. The better use of capacity, along with structural improvements introduced in recent years, meant that profits rose faster than sales revenue in many companies—including the "big three": BASF, Bayer and Hoechst.

The industry's strong performance has continued this year, with capacity utilisation further improving. Sales revenue in the first quarter is estimated by the Chemical Industry Association (VCI) to have been about 15 per cent ahead of the same period last year.



Bridge on the River Main at the Hoechst plant  
Terry Kirk

Looking ahead, Prof Rolf Sammet, chief executive of Hoechst, recently raised the prospect of "weakening tendencies" for the chemical industry in the third quarter. He believed that the fourth quarter would show whether this turned out to be a seasonal "summer slack" or whether a business peak had passed.

Although Hoechst is hoping to increase its already considerable earnings of 1983, Prof Sammet made clear that second-half earnings would probably not be as good as in the first half.

Prof Herbert Grinewald, Bayer's chief executive, remarked that business was unusually strong in the summer months last year and it would not be surprising if a normal seasonal decline occurred this year.

Dr Hans Alberts, BASF's

chief executive, indicated that he expected no basic change in business trends until summer but voiced caution in the face of uncertainties in the world economy.

On the labour front, the chemical industry reached a major settlement with its union members last year, providing for a progressive reduction in working hours for older workers. It has looked on with some anguish as troubles escalated lately in the metal industry over demands for a cut in the working week from 40 to 35 hours.

Although the position varies from one company to another, the chemical industry is vulnerable to prolonged and wide-ranging disruption in the metal industry. Prof Grinewald, for instance, indicated that about 15 per cent of Bayer's sales went into the motor industry.

In the longer term, West German industry faces further problems of adjustment, in the wake of considerable structural changes in recent years. In plastics, for instance, the West Germans argue for further cutbacks in certain types of capacity in Europe, in spite of the more favourable market conditions lately.

Dr Herbert Willersim, president of the Plastics Manufacturing Industry Association, recently stressed that new producers in developing countries were about to challenge Euro-

pean producers on their home ground and in export markets. This would occur not only with commodity plastics, he said, but also with other chemicals, such as ammonia and methanol. In Saudi Arabia, he pointed out, one major plant would come on stream at the end of this year and another a year later. Much of the output could find its way to Europe.

European plastics manufacturers could face this intense competition only if they first put their own business in order, he said. They had to continue efforts to restore the commodity plastics area to health, by matching capacity to the likely future market and by giving more attention to products of high technical quality.

The West Germans have also run into problems with foreign competition in fertiliser production. Hoechst, for instance, is phasing out certain fertiliser operations from some works.

The industry argues that the competition is largely unfair, claiming that foreign producers, notably in the Netherlands, benefit from subsidised energy prices.

Broadly, the West German chemical industry remains confident of maintaining a powerful position in world markets, backed by its research efforts.

The industry spent DM 6.4bn on research and development last year. About 53,000 people — 10 per cent of the workforce — were employed in these activities.

Although there has been much controversy about a gap in biotechnology research compared with some other countries, the West German industry points to its increasing involvement in this field. Major companies have developed links with outside research institutes in Europe and the U.S.

Prof Heinz-Gerhard Franck, president of the Chemical Industry Association, recently predicted a wave of innovation in the world economy in the next one to two decades. Many inventions now being tested in laboratories would be applied in industrial practice and he had no doubt that biotechnology would be a major area of innovation.

PROFILE: HEINZ NIXDORF

Vision of the computer's possibilities

FOR HEINZ NIXDORF — often called "Germany's computer King"—the sky's the limit. Despite the rocketing pace of development in micro-electronics, he feels the real potential of the sector has hardly begun to be tapped. As for computers as job-killers, Nixdorf pooh-poohs the very idea. For him computers are a means of release from routine and bureaucracy so that truly productive work becomes possible.

To hear Nixdorf talk excitedly about the future with a visionary gleam in his eye, you might be forgiven for wondering whether he had enough time to run a business. Yet this is the man who, at 53, has built up from scratch what is by far Germany's most successful computer enterprise (admittedly, sceptics will say, he has not had very many really acute domestic rivals).

Turnover has been increasing by about 20 per cent annually and will exceed the DM 3bn (\$1.1bn) mark this year. Profits have kept pace and the workforce (as though to underline Nixdorf's point about job-killers) has been expanding by leaps and bounds and now totals over 18,000.

As 20 per cent of Nixdorf stock for the first time goes on sale to the public this month and next, one thing is certain. The shares will be gobbled up almost irrespective of price—and so the fact that shareholders will have no voting rights through which they could influence company policy. But as one Frankfurt banker put it with only a trace of irony: "Why should shareholders want to change things when Nixdorf's has been a maximum success story for years?"

Heinz Nixdorf thought long and hard before agreeing to a public share issue, even one which still leaves him policy freedom and his family a clear majority holding. A few years ago he turned down advances from Volkswagen, because the



Heinz Nixdorf: a success story for years

vehicle maker wanted a stake which would give it a decisive say in the Nixdorf company's strategy.

He might not even have "gone public" now had it not been for the steady encouragement of Deutsche Bank. The bank took a 25 per cent stake in Nixdorf in 1978, and is now in the process of giving up all its shares—acting as "midwife" in the protracted birth of this stock market newcomer.

Nixdorf's caution is that of the self-made man who has been brilliantly successful in swimming against the tide of conventional wisdom. The son of a railway clerk and the oldest of five children, he broke off from his studies at Frankfurt University in the

and become independent of single large suppliers and customers.

When most of the big manufacturers, like IBM, were encouraging customers to take advantage of ever-larger, centralised computers, Nixdorf stressed the advantage of smaller units tailored to individual needs. Thus in the early 1970s Nixdorf was carving a market niche where IBM was not at its strongest — was boosting its success by offering a comprehensive instruction, service and maintenance backup.

Nixdorf has moved on a lot since then and in some fields is now in direct competition with IBM. It is the biggest supplier to the European banking market (of cash dispensers, automatic teller systems and the like) and is the leading foreign computer company in the United States market (which still leaves Nixdorf pretty small there by U.S. standards).

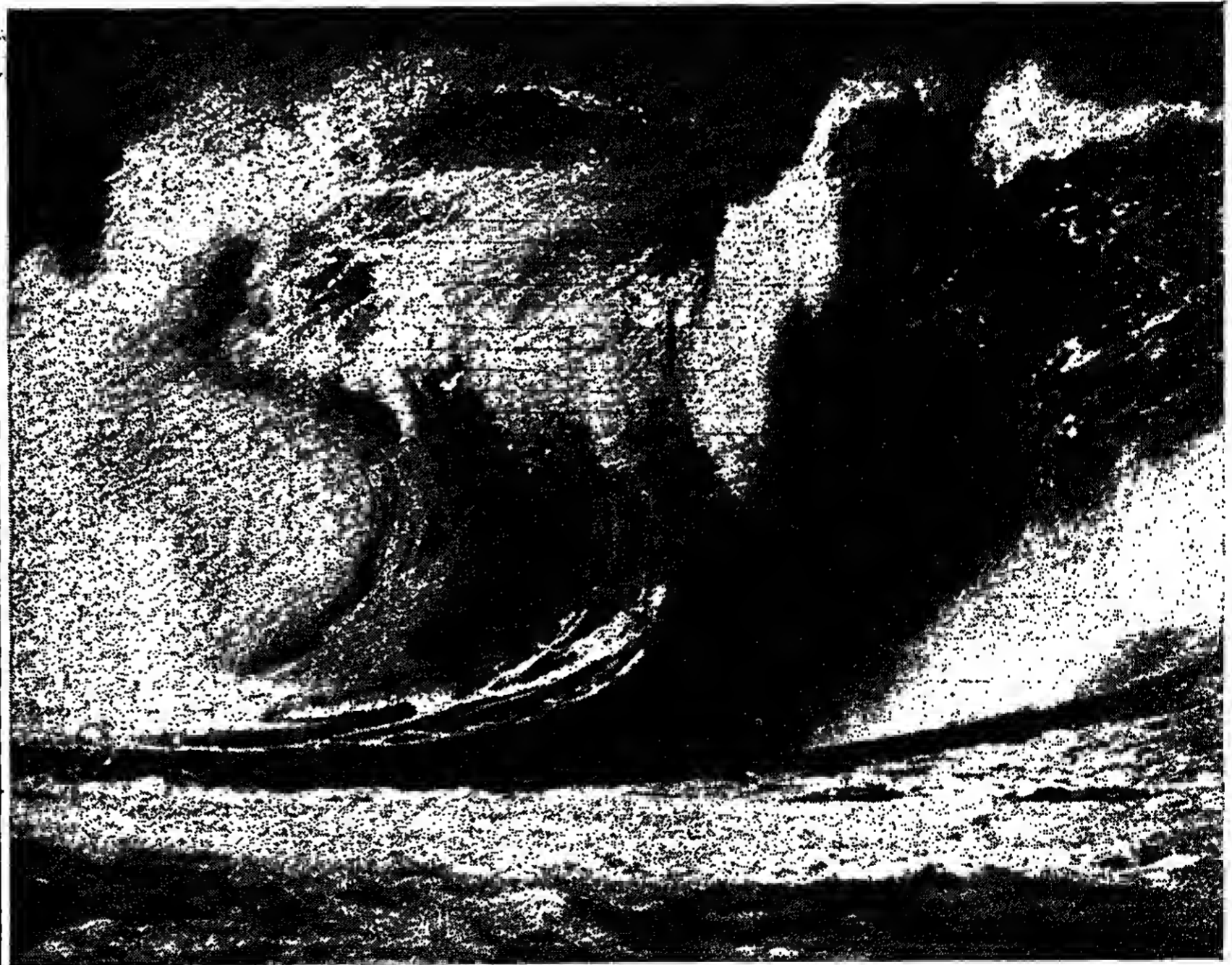
Through all its development the accent remains firmly on the individual customer's needs and a top standard of software. Roughly two-thirds of the Nixdorf labour force is in sales and service, one-third in manufacturing.

Despite his wealth and success, Heinz Nixdorf still lives quite simply in Paderborn and has lost neither his instinct for self-criticism nor his ability to surprise. He has built up a young and able management team, but he does not even dream of early retirement. To him the future offers far too many fascinating opportunities.

He expects the company to double sales revenue and to create nearly 10,000 new jobs over the next four years. Not least it will be taking on the Japanese on their own doorstep in South-East Asia. Exaggerated optimism? Nixdorf has been right before. German industry could do with more like him.

Jonathan Carr

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# Speed-up for freight

## Railways

**JOHN DAVES**

IN THE DEAD of night, the West German federal railways is trying to smarten up its freight traffic. With a new service, dubbed Inter-Cargo, the Bundesbahn is aiming to speed up and rationalise the overnight movement of goods between major industrial centres.

The idea is part of a new effort to inject vitality into the vest, loss-making government concern which employs more than 300,000 workers and has an investment programme of more than DM 5bn (\$1.8bn) a year.

As in so many other countries, the railways are an ailing part of the transport infrastructure. The Bundesbahn lingers along with burdens of bureaucracy, ageing rolling stock, some shabby premises and heavy debt.

But market-orientated views are coming increasingly to the fore, as in the Bundesbahn's efforts to regain lost ground in the freight business.

A sign of the new commercially-minded approach came with the appointment of Dr Reinert Gohlke as chief executive two years ago. Dr Gohlke left a top managerial job at the West German subsidiary of IBM, the U.S. computer concern, to take on the challenge of making the trains run profitably on time.

Other senior executives with business experience have also come in, including Herr Hemjo Klein, who has been playing a key role in developing marketing strategy.

The Bundesbahn is trying to

attract more passenger traffic with well-publicised concession prices for weekend travel and by building up services on its prestige Inter-City trains, which carry a relatively large number of business travellers.

Freight services, however, are more important financially—netting the Bundesbahn DM 5.1bn last year, compared with DM 5.7bn from passenger services.

Earlier this year, the Bundesbahn introduced a package freight service known as Termidienst, guaranteeing overnight delivery if parcels are handed in at some 50 rail centres by 5.30 pm.

The new Inter-Cargo service amounts to an attempt to streamline overnight wagon services for industrial clients into a freight version of the daytime Inter-City passenger service.

The Bundesbahn plans to build up a computer-monitored network of freight trains running virtually non-stop at a top speed of 100 km an hour between 11 industrial centres. Inter-Cargo will link Munich, Nuremberg, Stuttgart, Heidel-

berg, Frankfurt, Cologne, Duisburg, Wanne-Eickel, Hanover, Hamburg and Bremen.

The rail chiefs are also trying to build up freight services by co-operating with their arch rivals, the private road hauliers. They are trying to encourage the road transport operators to deliver goods to rail yards for long-haul stretches.

With its new strategy, the Bundesbahn is hoping to start rebuilding the railways' share of the freight market, halting a decline from about 53 per cent in 1980 to about 30 per cent these days.

Its freight efforts were hindered last year, however, by the plight of the coal and steel industries, which supply more than half its wagon freight. The Bundesbahn was also hit as a result of a decline in grain deliveries to Eastern Europe and a poor crop of sugar beet.

According to the IFO economic research institute, the Bundesbahn and the various small public and private railways in West Germany carried just under 300m tonnes of freight last year. For the first time, this was less than the

volume carried by long-distance road hauliers, who handled 309.7m tonnes—quite apart from the estimated 1.9bn tonnes carried in more localised road transport.

In terms of tonne/kilometres, long-distance road hauliers already far outstripped the railways. They notched up 84.2bn tonne/kilometres last year, compared with rail's 55.7bn tonne/kilometres.

Despite its problems, the Bundesbahn kept its income steady at DM 26.72bn last year while its outlays dropped to DM 30.47bn, partly because it reduced its labour costs for the first time in more than 20 years.

The Bundesbahn cut its loss by DM 40m to DM 3.75bn. But this deficit is in a sense the tip of an iceberg, as the Bundesbahn gets more than DM 15bn in various payments and aid from the Federal Government in

viewed as an industrial concern, the Bundesbahn has immense problems, which are complicated by the political sensitivities which are evident whenever there is talk of axing uneconomic services.

But it has set clear and ambitious targets to help get into better business shape by 1990—a 40 per cent increase in productivity, a 30 per cent cut in labour costs in real terms and a 25 per cent cut in total costs in real terms.

The Bundesbahn is planning major investment of DM 40bn by 1990 to extend and modernise its network, partly with the aim of introducing faster trains on some lines. It has also been preparing to place big orders for new locomotives.

Its debt, which has been steadily growing for years, was held steady at DM 35.6bn last year. But as Dr Gohlke remarked recently, the financial situation of the Bundesbahn remains taut.

### VOLUME OF WEST GERMAN FREIGHT TRAFFIC (millions of tonnes carried)

	1981	1982	1983
Bundesbahn	285.4	278.5	274.4
Other railways	31.6	29.0	28.7
Total railways	335.0	307.5	299.1
Long-distance road haulage	297.5	285.6	289.7
Inland shipping	23.7	23.9	23.6
Air freight	0.6	0.6	0.6
Oil pipelines	62.7	57.8	55.3
Total	622.5	622.6	628.3

\* Not including air-freighted mail.  
Source: IFO Economic Research Institute

# Order books still shrinking

## Shipbuilding

RUPERT CORNWELL

THE BLEAK message of a study carried out earlier this year by the Bonn economics ministry could not have been plainer: West Germany's battered shipbuilding industry could expect scant help in the form of increased subsidies from the Government to improve its competitiveness. And further rationalisation—more bluntly, cuts in capacity and jobs—was the only feasible option.

The report's conclusions were not merely further proof, were any needed, of the desire of the present Centre-Right coalition in Bonn to roll back the involvement of the state in industry. They were an acceptance of the simple fact that in the future as in the past, West Germany will not be able to escape the harsh fate of shipbuilders throughout the Continent.

And the industry here has already suffered greatly. The ports of Bremen, Hamburg and Kiel have a tradition second to almost none in shipbuilding. Ten years ago, the country ranked third in the world, behind Japan and Sweden.

Today, and for all their reputation for reliability and efficiency, West German yards have seen their order books shrink from 7.3m tonnes in 1973 to just 600,000 tonnes at the end of last year. Total employment over the period has roughly halved, from over 80,000 to 44,000.

And this depressing trend is set to continue. Already much savage surgery has been forced through by the realities of the marketplace.

In Bremen, where the 1983 slump in orders was especially acutely felt, AG Weser is closing its yard, after seeing the workforce there shrink from 6,000 in the late 1970s to just 2,000 by the end.

Weser, controlled by the Krupp steel and industrial group, had planned to merge with two other yards, Bremer Vulkan and the Bremerhaven-based Hapag-Lloyd repair yard.

But that scheme effectively foundered on the refusal of the Bonn Government to put up the necessary aid.



Ashley Ashwood

The QES in dry dock. There was a stir in the UK last year when 24.5m refining work was done at Bremerhaven, though European yards all compete against each other for the work available and in fact British companies were involved in the Bremerhaven contract.

and Hapag-Lloyd alone joined forces. But it was agreed that Seebeckwerft, Weser's subsidiary in Bremerhaven, would stay open, buoyed by new and most timely orders from China.

Further east, in Hamburg and Kiel, the prospects are little brighter. There the crisis revolves around Howaldtswerke Deutsche Werft (HDW), and last autumn HDW workers joined their opposite numbers in Bremen and staged sit-ins and marches to emphasise their plight.

But to little avail. HDW,

which is 75 per cent owned by the state-controlled Salzgitter concern, is seeking to lose more than 4,000 jobs—2,400 of them in Hamburg itself and the rest in Kiel, despite the fact that it will be concentrating its merchant shipping business in the latter port.

The immediate outlook for the world shipbuilding market, and the attitude of the Government, leaves little room for illusion about the future. Bonn has made clear that it is prepared to fight for the industry, but mainly by pressuring competi-

tor countries to reduce distorting subsidies of their own.

Such a strategy may be justified, but will have little bearing on the central problem for German and indeed all European shipbuilders: the huge cost advantages offered by the Japanese and South Korean yards which dominate the industry.

Not only is world shipbuilding capacity some 40 per cent more than needed but prices in the Far East are estimated to be up to 30 per cent lower than in Europe. It is hardly surprising that Japan and South Korea between them have around half total outstanding world orders.

The message is unmistakable: that what future remains for shipbuilding in mature high-cost economies like West Germany lies in the defence field, and in the construction of specialised multi-purpose vessels, usually with a high-technology content, tailor made in generally small numbers for the individual client.

One pointer to this new trend is the growing possibility of an order for two submarines, worth DM 400m (\$148m), to be placed with HDW by—of all countries—South Korea. If the deal does go through, it will justify a sense of grim satisfaction in the industry, not to be allied by reports that the super-efficient South Korean yards would insist on building a further 10 or 12 submarines themselves, under licence.

And whatever the problems for Bonn, with its historical sensitivity to arm exports from West Germany, the shipbuilders are likely to be pressing ever harder for greater scope in the defence area, to provide vitally-needed work.

But even a boost in military sales is unlikely to have much effect on the underlying direction of the industry. This spring there have been some cautious hopes to be heard that business is marginally picking up for West German shipbuilders.

Probably, however, a truer sign of the times is what is happening at the once mighty yards of AG Weser. The gantry cranes and all the rest of the massive equipment of shipbuilding are being sold off at scrapyard prices. But in their stead, many new companies are setting up in the vacant space—some of them by men who once worked at building ships.

### CONTINUED FROM PREVIOUS PAGE

important — it will help with technical advice, market evaluation and so on. The key point is that new companies will not just receive capital (usually through a minority stake by TV) but can expect to benefit from information and expertise not available to them on their own.

With TV looking for new business in communications and data technology, electronic components, automation and bio-electronics, the Siemens link is clearly vital. But TV also aims to extend

its investment activities to other high tech sectors, and to attract the backing of more large companies with appropriate expertise to offer as well as cash.

After, say, five to ten years of growth, the new companies could be brought to the stock market and capital gains realised by the investors.

Sceptics will complain that the upshot may rather be that the large companies will simply gobble up the newcomers after a while, or siphon off their ideas. While the structure of TV works against the application of smothering influence by "the

giants," it is admittedly too soon to judge whether this experiment will succeed.

The least that can be said is that it is taking place against a more encouraging business background than has existed for years.

For one thing the Centre-Right government which came to power in October, 1982, has acted to cut the tax burden on industry, to boost the funds available for research and technology and to encourage establishment of small companies.

For another, moves are under way to change the structure of the German stock market, which is greatly un-

derdeveloped by comparison with its U.S. or British counterparts, so that more enterprises may be encouraged to "go public."

Last year already 11 companies came to the Bourse for the first time (a lot by German standards) and the entry of Nixdorf and Porsche is giving a further fillip to the stock market in 1984.

None of this involves revolutionary change. But collectively, along with the rise of venture capital funds, it makes conditions look better for entrepreneurs. The next year or two should show how far the new chances are seized.

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## WEST GERMAN INDUSTRY 8

## Industrial battle in deadly earnest

## Labour

RUPERT CORNWELL

BY THE standards of most industrialised countries West Germany is comparatively under-unionised. Only 40 per cent of the workforce belongs to a trade union, compared with 55 per cent in Britain, 76 per cent in Belgium and as much as 90 per cent in Sweden.

But the casual observer would hardly have guessed it in the last few months. Since last autumn, the country has been embroiled in an industrial battle without precedent for six years. At first it was a war of words, but since the beginning of May the struggle has been in deadly earnest.

As the month drew to its close strikes in the key engineering and retailing lockouts by employers had made more than 100,000 idle. The reason? The demand of IG Metall—with 2.6m members the largest single trade union in the world—for a five-hour cut—on full pay—in the basic working week to 35 hours.

The Government, along with the employers, will not bear of the idea. "Stupid" is how Chancellor Helmut Kohl has described it, and most, though by no means all, economic experts appear to share that view, though in more diplomatic terms.

At the time this article was written, in the penultimate week of May, it was far from clear how the dispute would end. An early settlement probably would leave few scars, and enable the car companies, worst hit by the factory closures around Stuttgart and Frankfurt, to quickly make up for lost production through overtime.

As the disruption moved into its second week, however, even more people were voicing their fears about the consequences of a protracted strike. A complete shutdown of the car industry, for example, could affect one job in seven in the country. The costs to the national budget would be enormous, while the comfortable 3 to 3.5 per cent growth rate expected in West Germany for 1984 would almost certainly slip out of reach.

But whatever happens, some things are already clear. In the first place, the strikes have come as a severe shock to a nation hardly used to them. Between 1970 and 1982 West Germany



Worker in a textile mill

lost fewer days through strikes than almost any other comparable country: just 42, in fact, per 1,000 workers per year, compared to 107 in Japan, 184 in France, 512 in Britain and 1,403 in Italy.

That glowing statistic is likely to dim considerably in 1984—and with it the long-prevailing image of the hard-working German. Even on the basis of the standard 40-hour week, German workers put in far fewer hours per year than their counterparts in Japan, Britain and the U.S. Only a constantly impressive productivity performance has allowed the country's labour costs to stay competitive.

All that would change, industry says, if a 35-hour week be-

came the norm without a corresponding cut in pay. Indeed, the most insistent public argument against it is that companies would face an increase in overall costs of up to one fifth, and risk being driven wholesale out of international markets.

Such reasoning impresses not only the employers, the Government and a huge swathe of the general public; it also has hit home among workers duty-bound to toe the union line. Although loyalties have hardened as serious strikes have begun, most surveys suggest that a majority even of IG Metall's members are unhappy with the formal grounds for the campaign.

Not for nothing did the union

carefully select for the first strikes two traditionally militant areas.

So why has IG-Metall, with the backing of the country's 160,000 print and paper industry workers, pressed ahead into a struggle which few people doubt that at the finish after many weeks and much spilt blood it would be bound to lose?

One main reason is that the employers have left the engineering union precious little choice. As the moment of decision drew near, IG-Metall spokesmen—most notably Herr Franz Steinkühler, its aggressive young deputy head—indicated that they would be ready to accept a phased introduction of the 35-hour week, even the mere agreement of management to drop the notion of a sacrosanct 40 hours.

But Gesamtmetall, the engineering employers' association, refused to budge, sensing the chance of a glorious victory. The union had no choice but to do battle.

But there are other, more complex, factors involved. After years of cosy—many would say too cosy—collaboration with a Social Democrat Government in Bonn, the labour movement has acutely felt the need to make a show of strength. The sense that a Centre-Right Government was tilting towards the bosses only added to its determination.

At least as influential has been the genuine concern to reduce unemployment. "The only new jobs that a 35-hour week would create would be in the Far East," Count Otto Lambdorff, the Industry Minister, may caustically remark. The fact is, however, that the unions do believe that a cut in hours is needed to put good proportion of the country's 2.5m jobless back to work—especially when high-tech is advancing and traditional "sunset" industries such as steel and shipbuilding are under pressure as never before.

Most fundamental, but hardest to quantify, is the changing mood of the country at large. The old work ethic that underpinned recovery from World War Two has waned; the German worker has nothing left to prove; he or she might be said to feel the time has come to reap rewards for past diligence.

The trouble is, of course, that the unions risk proving only that they are no longer the force they were—and after a contest which largely destroyed the

WORKING DAYS LOST  
(per 1,000 workers per year 1970/82)

Italy, 1,512, Great Britain, 512; U.S., 443; Belgium, 250; France, 184; Sweden, 139; Japan, 107; W. Germany, 42; Netherlands, 38; Austria, 9; Switzerland, 2.

Source: DWI and W. German Labour Ministry

consensus between both sides of industry which has been a post-war hallmark of the country. Of more subtle, but hardly less importance is the fact that in foreign eyes at least, the belief in the consensus may have already gone. However, the 35-hour week affair ends, many people abroad may never quite look upon German industry in the same way again.



BMW workers demonstrate in Munich for a 35-hour week

## Pleas for budget to be increased

## Space programme

JAMES BUCHAN

THE FLIGHT into space and back last December of Herr Ulf Merbold—the first citizen of the Federal Republic to leave the Earth's atmosphere—caught the imagination of the West German public as that infallible taker of the national pulse, Chancellor Helmut Kohl, realised when he interrupted a depressing terrestrial European summit to talk to the astronaut overhead.

Herr Merbold's flight on the Space Shuttle with the Spacelab, the European space laboratory built under management of MBB's Erno division in Bremen, helped highlight a West German space programme which has so far been overshadowed by that of France (not to speak of the U.S. or Soviet Union).

However, Messerschmitt-Boelkow-Blohm's shuttle pallet satellite (Spas), the first reusable orbital platform, has already made two flights with the Shuttle. In addition to projects

of the European Space Agency (ESA), which accounts for about half of the Bonn Government's budget for space research and development, German industry has begun work on a heavy orbiting observatory, Rosat, for launch in 1987.

Rosat, the fifth independent West German research satellite project, will make use of X-ray and ultraviolet frequencies to explore much deeper into space than has been possible.

Both industry and government have responded enthusiastically to President Ronald Reagan's invitation for European involvement in a manned space station. Prof Ludwig Boelkow, who presided over the consolidation of the bulk of the German aerospace industry into MBB and remains an influential voice, believes that the basis for European participation could be the Columbus project, a German-Italian design for an independent space module, which could be "bolted" on to the station.

Such projects, or the development of a European transport capacity through the Ariane rocket programme, will inevitably require an expansion of the space budget beyond its present level of about DM 800m

a year. While Prof Boelkow and others have appealed for an increase at least to French levels (about double the German expenditure), the Ministry of Research and Technology in Bonn insists that, at least until 1986, only nominal budget increases will be possible.

This is an old story for the West German space and aerospace industry which, with about 71,000 employees, is as dependent as any other in Europe on public expenditure. MBB, the industry core, could breathe a sigh of relief this spring when in quick succession both UK and German governments pledged their shares of the development costs of the Airbus A-320 150-seat airliner. This will do much to secure employment at MBB's north German works, where the fuselage and tail will be built.

However, MBB as well as Dornier, which has successfully maintained its independence, desperately need decisions on the development of a new combat aircraft for the 1990s. In sales of DM 5,900 exports business to be lean at least until 1988 when the Airbus A-320 is launched.

tank helicopter (the PAHS) is a mere crumb.

Although air force chiefs from West Germany, France, the UK, Spain and Italy agreed the so-called "outer edge target" of the aircraft last December, the Bonn defence ministry has asked for a postponement of further talks while it wrestles with its 1989 budget and medium-term financial planning.

Within strict guidelines set by a Finance Ministry bent on budgetary consolidation, the Defence Ministry must give priority to the expensive and politically delicate business of maintaining Bundeswehr strength in the face of a sharp drop in the intake of conscripts as a result of the falling birth rate.

Last year, Dornier demonstrated a new flying-boat (based on its celebrated World War II design) and has carved out a market for its Do-228 and Do-228 commuter aircraft, as well as being involved in the Rosat project.

MBB, which last year made sales of DM 5,900 exports business to be lean at least until 1988 when the Airbus A-320 is launched.

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## The big mix for tyres.

Some 60% of all available rubber is used to make vehicle tyres—and up to 20 other basic ingredients are used in the initial mix. This requires high process technology machinery for large-quantity kneading and mixing. Such as pioneered by Werner & Pflaederer, Stuttgart, W. Germany, and supplied for the Soviet Union's Bobruisk seven-line tyre production plant.

Five of the world's largest rubber mixers with 650-litre chambers were supplied as well as two smaller ones. Together they deliver 600 tonnes of rubber mixture a day. Two four-bladed rotors work the basic mix at up to 52 r/min while kept under pressure by a pneumatic

ram. Shearing and mixing forces constantly vary and change direction. Operating temperatures can be 160°C.

SKF's bearing arrangement supporting the roll-rotor shafts



under these conditions involve spherical roller bearings of radial and thrust designs. First-mixer reports after 25,000 working hours give operating temperatures 20°C under design calculations. In part due to the low-friction bearings.



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To call the Unimog a multi-purpose vehicle and implement carrier is like calling a Mercedes limousine a passenger vehicle. Accurate but unexciting.

The Unimog is made by the Daimler-Benz all-wheel drive specialists at the Group's Black Forest Gaggenau plant.

Popularly, it's a universal quick-change vehicle—just as suited to off-road crop spraying as to on-rail shunting of railway wagons.

Small outer changes, 52 to 168 DIN/HP diesels, and hundreds of powerful work

implements, make for almost limitless permutations of the basic tractive unit—from excavation to road surface impacting, from forestry

to Ro-Ro container loading. Uncommon usage has led Unimog to an uncommon SKF wheel bearing solution: the new type SU cylindrical roller bearing that will cope with all directional heavy forces likely to arise—a fitting complement to the SKF taper, cylindrical and ball bearings in the gearbox, differential and elsewhere.

## Flying safe in gusty winds.

Messerschmitt-Bolkow-Blohm's BO 105, first twin-turbine helicopter in the 2-tonne class, has a proven reputation for heavy-turbulence safety. It is operating under extreme climatic conditions in off-shore missions in Alaska, Canada, Norway and northern Scotland, and has carried out



helipad starts and landing at wind speeds up to 75 knots in the Magellan Strait. West Germany's aerospace group—MBB has delivered this helicopter type to some 120 customers in more than 30 countries.

Many of the BO 105's proven parts and components are also used in the larger type BK 117, a joint venture with Kawasaki Heavy Industries.

SKF is involved with safety-critical components which include planetary gear and swashplate bearings, tail and rotor bearings, main transmission gearbox bearings, airframe bearings, flight control and rotor-angle adjustment rods.

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# SECTION II - INTERNATIONAL COMPANIES

# FINANCIAL TIMES

Tuesday June 5 1984

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## Commodore enters price war with new computer

BY LOUISE KEHOE IN SAN FRANCISCO

COMMODORE International, the leading U.S. home computer manufacturer, has introduced a \$300 computer for small business and home users. The performance and capabilities of the "Plus 4" compare to those of \$1000-plus computers such as the Apple IIE and the IBM PCjr.

Commodore's aggressive tactics could spark a price war at the top end of the home computer market where business and home computers overlap, according to industry watchers. Last year, Commodore fought off competitors in the low-end of the home computer market with disastrous consequences for its competitors.

Apple Computer, which currently leads in this part of the personal computers market, may not be adverse to reducing the price of its Apple IIE. Mr John Sculley, president

of Apple Computer, has said in the past that the IIE could be used as "a price-cutting vehicle."

For \$300 Commodore is offering an eight-bit computer with 64K bytes of memory. Built into the computer is a set of integrated software to perform word processing, data base management, spreadsheet and graphics - the four basic business personal computer functions. With a video screen and a single disk drive, the price comes to \$600. Commodore says it will begin shipments in September or October.

The Apple IIE, the leading product in the "serious" home computer market, costs \$995 without a screen or software. IBM's PCjr costs \$1,300 without software.

"There is no doubt that Commodore could do well with this product," says Ms Ester Dyson, of Edventure, a New York market analyst. Commodore must, however, overcome its U.S. image as strictly a home computer maker if it is to attract business customers, industry analysts suggest. "But they will be selling against the Apple IIE which has a wealth of software."

The new Commodore Plus 4 is not compatible with the company's earlier products and will, therefore, be limited to the 30 to 40 programs introduced with the machine.

Commodore says it will position the Plus 4 as a "productivity computer for the home users who appreciate that it is not the cost but what you get for your money that is important, and small business users, especially those who do not know (and are afraid to learn) how to use an Apple."

## Braniff sets up customers' trust fund

By William Hall in New York

BRANIFF, the Dallas-based airline which emerged from bankruptcy and resumed operations earlier this year, has set up a special trust fund to hold cash from ticket sales until the customer completes his journey.

The move is part of a campaign to attract many of Braniff's former customers back to the airline. When it collapsed in 1982, many passengers and travel agents lost money on Braniff tickets, with the result that the new airline has been struggling to win the volume of traffic it needs to survive in the long-term.

Braniff says that it "wants to encourage all of the 23,000 travel agents in the U.S. to write tickets on Braniff with absolute confidence in the integrity of our service."

Since May 25 Braniff has been assigning money from ticket sales through travel agents using Braniff validated ticket stock to the Agency Trust, an independent trust administered by Mercantile National Bank of Dallas.

Mr Patrick Foley, vice chairman of Braniff, said that Braniff's load factor (the number of seats filled by passengers) was 22.4 per cent in March and slightly higher in April. He added that the May load factor will be approximately 50 per cent higher than April and advance bookings for June indicate a further 50 per cent increase in the load factor in the current month.

Record trading year for Euro-clear

By Maggie Urry in London

THE Euro-clear Clearance System, which provides a settlement system for internationally traded securities, reported a record year to 1983. For the period to November 1983 the value of securities settled through the system was \$604bn (\$509bn in 1982).

The launch of an automated system for securities lending and borrowing in June 1983 contributed to the increase in the daily average of securities loaned to \$467m in 1983.

Euro-clear is now used by 1,425 participants. In 1983 they received rebates of fees totalling \$3.2m, down from \$4.8m in 1982. Euro-clear expects to pay rebates of \$4.8m in 1984, and is moving to quarterly, rather than half-yearly, payments. After rebates 1983 profits were \$4.4m (\$2.3m).

The 120 shareholders of Euro-clear, mainly banks, brokers, and investment institutions, will be paid a \$50 a share dividend against \$30, including a \$10 special payment.

## Citicorp takes 100% stake in London broker

By Margaret Hughes in London

CITICORP is acquiring 100 per cent of Grindlay Brandts Insurance Brokers in which it already has a stake through its majority holding in Grindlays Bank. The insurance broking company is a wholly-owned subsidiary of Grindlays Bank.

Citicorp, the principal subsidiary of Citicorp, acquired its controlling interest in Grindlays Bank, in which it previously held a 49 per cent stake, following a complete deal last summer with Lloyds Bank. This gave Citicorp a 48.61 per cent stake in Grindlays Holdings, the holding company which now owns 100 per cent of Grindlays Bank.

The acquisition of Grindlay Brandts Insurance Brokers represents Citicorp's entry into the international insurance business as part of its overall financial diversification programme.

## Du Pont buys disk technology

By Our Financial Staff

DU PONT, the U.S. chemical company, has bought the rights to manufacture optical disks used in data processing from Storage Technology. Storage Technology will take "a significant portion" of Du Pont's output of the disks for use in its new model 7840 disk drive system, but Du Pont may also use the technology independently for other purposes.

Storage Technology says it will begin limited production of its data storage system in the third quarter and full-scale production early next year.

## HOUSTON INDUSTRIES PUTS NUCLEAR PROBLEMS BEHIND IT

# Texans on the trail of UK funds

BY IAN HARGREAVES IN LONDON

AMERICAN power utilities, especially those with big nuclear programmes, are not exactly the darlings of the investment community these days, but one of them, Houston Industries, swept breezily into Britain yesterday to list its shares on the London Stock Exchange.

The reason for coming to London, according to Mr Don Jordan, the company's chief executive, has nothing to do with wanting a base outside the nuclear-sensitive U.S. financial markets and everything to do with seeking out lower-cost financing possibilities as the company approaches a period when it can use shorter-term debt instruments to advantage.

But it is certainly true that before making this appeal to the European investor, Houston Industries has done a great deal to tidy up its nuclear problems, which at one time appeared considerable.

The most drastic action was the cancellation of the 1200 MW Allen Creek nuclear project, which resulted in a write-off of \$287m in 1982. The regulating authorities have refused for the most part to allow

Houston to recoup this loss through increased electricity tariffs.

Houston's second project is a 31 per cent share in the 2,500 MW South Texas nuclear power complex. The company's troubles in this scheme have mainly centred on its contractor, Brown and Root, which Houston sacked three years ago. Litigation on this matter is expected to reach court next March, but meanwhile Mr Jordan says its new contractors, Bechtel and Ebasco, have put the South Texas programme on budget and on time for phase commissioning in 1987-89.

He also points out, fairly, that for Houston Industries and its utility subsidiary Houston Lighting and Power (HLP), nuclear power is and will remain a modest part of the total picture. He does not, he says, envisage building nuclear again "unless there is some drastic changes in the way that regulation takes place."

Six years ago, the utility was entirely dependent upon gas, and it forecasts that by 1991 the breakdown will be 34 per cent gas, 18 per cent coal, 19 per cent lignite, 5 per cent nuclear and 24 per cent

HOUSTON INDUSTRIES				
	1983	1982	1981	1980
Revenues: (\$m)	3993	3838	3095	2367
Net income: (\$m)	304	126	216	184
Electricity sold (m kilowatt hours)	55m	56.5m	56.8m	54.8m
Average fuel cost (cents per m BTU)	321	337	271	206

bought-in-co-generation.

The reason for this is that under the price deregulation programme and in spite of the North American glut of natural gas - the so-called "gas bubble" - the cost of gas to HLP has risen from \$188 per 1m BTU in 1979 to \$339 last year. In the same period, the price of coal moved from \$216 to \$273, reversing the economic advantage of the two fuels. Lignite, of which HLP has plentiful local supplies, has also become a highly cost-effective fuel.

Mr Jordan reckons that with the gas bubble holding back gas prices as HLP renegotiates a major long-term contract, the utility can expect this year to hold its total fuel costs stable in money terms.

He also thinks that with the re-

cessum over, electricity demand should grow by 8 to 9 per cent this year and 4 per cent a year thereafter. Last year demand was abnormally low because of the industrial slump and because Texas had a cooler than normal summer and turned down its air conditioners.

In the end, the accuracy of this optimistic demand forecast will be more crucial than the nuclear question to Houston Industries' prospects. It will take growth of the level predicted merely to hold the company's plant load factor (the ratio of electricity produced to installed capacity) in the low 60 per cent area, as the company's new nuclear and lignite power stations, planned in more buoyant days, come on stream.

## Improved quarter for Mattel

By Paul Taylor in New York

MATTEL, the financially troubled U.S. toy maker, yesterday reported significantly improved first quarter earnings.

The company, which last week announced it had signed a definitive agreement on a financial restructuring plan put together by E. M. Warburg Pincus, designed to stave off the threat of bankruptcy following heavy write-offs in its electronic toys and computer games division, reported operating net earnings of \$10.6m or 45 cents a share in the quarter ending April 28, compared with net earnings from continuing operations of \$2.1m or 9 cents a share in the same period last year.

Mattel, the world's largest toy-maker, has gone through a restructuring in recent months, selling major assets in an attempt to return to profitability and refocus its attention on its basic business, Mattel Toys.

In the latest quarter a \$6.3m tax credit produced final net earnings of \$16.9m or 76 cents a share, while in the year ago quarter a \$22.6m loss on discontinued operations made a final loss of \$20.4m, mainly due to a dramatic decline in sales of its electronics division.

## Chile plans sale of two controlled banks

BY MARY HELEN SPOONER IN SANTIAGO

THE CHILEAN authorities plan to sell two banks which have been under Government administrative control since early last year, according to Sr Dario Calderon, president of the banking commission.

The banks to be sold are the Banco Internacional and the Banco Concepcion which were taken under Government control with six other financial institutions in January 1983. Sr Calderon said the two banks' legal situation was sufficiently uncomplicated to permit their immediate sale, and that the Commercial Bank of Saudi Arabia, First Chicago Bank and several Chilean investors had expressed interest in buying shares.

Sr Luis Escobar, Chilean finance minister, announced last week that the Government would end its administrative control of at least five troubled financial institutions with sizeable outstanding debts to the central bank. The unpaid debts are to be converted into shares to be sold to private buyers at a rate of not less than 20 per cent per year.

The authorities plan to retain control of the country's two largest private banks, Banco de Chile and Banco de Santiago, until private Chilean buyers can be found. Sr Calderon said an agreement had been reached with Banco de Chile's parent, the BHC group, to repay outstanding debts.

## Enstar bid defended

BY OUR FINANCIAL STAFF

ALLIED Corporation of the U.S. and Ultramar, the British oil company, yesterday launched an attempt to defuse growing criticism of their joint bid for control of Enstar, the Houston oil and gas exploration group.

Two major Enstar shareholders last week sued to block the \$18 a share cash offer for a minimum of 50.4 per cent of Enstar, on grounds that the bid was too low.

But yesterday the suitors said

Enstar shareholders would receive a value of \$20 a share for the first 50.4 per cent of Enstar if they tender their shares. The extra \$2 would come from shares in Enstar's Alaskan pipeline utility, which Enstar is proposing to hive off.

Allied and Ultramar said the Alaskan pipeline shares would be distributed to all shareholders and were valued at \$2 a share by Morgan Stanley, Enstar's adviser.



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INTL. COMPANIES & FINANCE

# Technip board meets today to discuss capital needs

BY DAVID MARSH IN PARIS

A TUSSELE among the mainly state-controlled shareholders of Technip, France's leading project engineering concern, looks likely today over the need to increase the company's capital to finance losses incurred during the past two years.

The discussions coincide with a new twist to the bitter wrangling taking place over the future of another specialised engineering company, Amrep, the major oil services group which last week went into official receivership after mounting cash problems.

Technip, which recently agreed to take over Creusot-Loira Enterprises, the plant construction arm of the troubled engineering group, has itself plunged into financial difficulties as a result of a loss of FFf 182m (\$22m) last year and its inadequate capital structure.

The company, which registered a turnover of FFf 4.5bn in 1983, has faced problems on refinery and desalination plant deals in the Arab world, compounded by uncertainty over Eastern bloc orders.

To give it the necessary

financial muscle to cover the losses—which followed a deficit of FFf 40m in 1982—and to face up to future risks, Technip is believed to be seeking about FFf 150m in capital injections from its shareholders. Present equity capital is FFf 57m, but with reserves total capital backing is believed to be around FFf 150m.

Technip's main shareholders will be represented at today's board meeting. They include the state-backed Institut Français des Petroles with 41 per cent; Elf Aquitaine with 24 per cent; the Total group through its Omnirex subsidiary with 10 per cent; Saint Gobain with 15 per cent; CEF-Chemie, the chemicals arm of the country's coal board, with 4 per cent; and the Commissariat à l'Energie Atomique, the national nuclear commission, with 4 per cent.

Elf Aquitaine is thought likely to increase its stake in the company. Other shareholders, however, are likely to be more reticent about their contribution. Final agreement on the deal is not expected before the end of June.

Total, through its subsidiary

OFF, has also been embroiled in the financial difficulties of Amrep, where Elf has also indicated its willingness to step in with cash to help salvage the company.

Total and Paribas, the state-owned financial group which like OFF has a sizeable indirect stake in Amrep, issued a statement at the weekend implicitly blaming Bouygues, France's leading building and civil engineering concern, for not taking steps to save off Amrep's insolvency.

Bouygues agreed in April to take a controlling stake in Amrep by buying 55 per cent of the Auxirap holding company which owns just over 50 per cent of Amrep.

But it pulled out of a rescue deal last month after learning that Amrep's total losses and liabilities to be financed reached FFf 1.5bn.

Bouygues, meanwhile, is believed to be negotiating with court officials to take over running of Amrep on a temporary leasing basis—move which could provide a way into some of Amrep's sought-after offshore oil activities.

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May, 1984

# Swiss gold trader sees glitter in new range of products

By Anthony McDermott in Geneva

PAMP, a Swiss company specialising in small gold and silver bars and claiming 30 per cent of physical gold sales to Saudi Arabia, has just opened a factory near Chiasso in the Italian-speaking part of Switzerland.

One sign of the strength of PAMP's connections in the Arab world is that the new plant was inaugurated by a friend of the gold refinery, Sheikh Ahmed Zaki Yamani, Saudi Arabia's Minister of Oil and Natural Resources.

Pamp, which stands for Produits Artistiques de Métaux Précieux, was founded in Chiasso in 1977 by Vincenzo Biraghi and Eury Magric, two Swiss former employees of Lescaudr Valcambi, the gold refinery of Credit Suisse. Backed by Mr Mahmoud K. Shakerchi, a leading Lebanese currency dealer who left Beirut in 1976, PAMP expanded rapidly.

PAMP claims to use the biggest buyer of dollar notes in Switzerland. Besides dealing in the physical market for precious metals and foreign currencies with Middle Eastern countries, the company provides precious metal account facilities in Switzerland and portfolio management services for individual clients.

The new PAMP factory employs 40 people. PAMP's success in grabbing the major share of the Middle East market for small bars can be partly explained by the design of its products. Unlike conventional ingots, PAMP's bars are, like coins, engraved on both sides. PAMP also claims 24-hour courier delivery service to almost any airport in the Middle East.

PAMP is determined to pursue its marketing drive in small bars but also plans to broaden its product range with the addition of jewellery and watches. At present, silver bars and gold medals are manufactured in a wide variety of shapes, and PAMP says it has patented a new electro-chemical process to extract silver from used photographic films. This, it claims, is 25 per cent more efficient than the conventional methods.

The world market for small (under 50 grammes) gold bars amounted to about 50 tonnes in 1982, just over 4 per cent of the total free world physical gold market. PAMP's shipments of 28 tonnes, therefore, correspond to over one-half.

Last year the total volume of small bars dropped as low as 30 tonnes, and PAMP's sales declined accordingly, although no figures have been disclosed.

So far this year, business volume has had little encouragement from the trading floor where the gold price has moved narrowly. At around \$390, it is still less than half its heady peaks of 1980.

PAMP is playing its cards close to its chest, but it begins to look as though the extra group manufacturing capacity has as much to do with new products as with precious metals.

# EIB to broaden lending service

BY PAUL CHESERIGHT IN BRUSSELS

THE EUROPEAN Investment Bank, the EEC's major financial institution, is to give an extra dimension to its operations by borrowing and lending at floating interest rates.

The decision, taken yesterday in Luxembourg by the bank's governors, is a response to criticism that the bank's operations have lacked flexibility.

The bank now has freedom for a trial period to borrow up to ECU 500m (\$405m) at floating rates and on-lend at matching terms.

This new development comes at a time of change in the top management of the bank. M Yves le Fort, its president since 1978, is leaving after 14 years as president to take on an honorary role. He will be succeeded by Dr Ernst-Gunther Broder from Kreditanstalt fuer Wiederaufbau, the German long-term credit and aid agency.

Dr Broder takes over as the EIB's operations continue to expand. In the first five months of this year, financing provided reached ECU 2.2bn, compared with ECU 1.9bn during the

same period of last year.

But the bank's governors warned that "the bank must not become a credit institution for the general financing of industry." The warning comes in the context of pressure for the EIB to be used as a more general tool of economic and industrial policy.

But with that understanding, the EIB yesterday made it clear that it would continue to direct its operations towards the less developed regions of the Community.

# Solvay set to sustain upturn

By Our Financial Staff

SOLVAY, the Belgian chemical group which staged a major recovery last year, expects profits for 1984 to be at least maintained.

Jacques Solvay, the president, told the annual meeting in Brussels that the group would step up capital spending this year by around a quarter. Capital investment is set to rise to FFf 10bn (\$18m) from FFf 8bn of 1983, he said.

In 1983 consolidated earnings just about doubled to FFf 5.25bn, from FFf 2.6bn in 1982. The net dividend was raised to FFf 235, from FFf 200.

Turnover rose 12 per cent to FFf 195.7bn. There was a 5.5 per cent increase in sales volume while prices rose 15 per cent.

Concerning specific operational areas, the president said Interux America, which is a joint venture with Interux Chemicals of the UK, now holds 20 per cent of the U.S. peroxide market. Since the beginning of the year, sales have increased in the polyvinyl chloride (PVC) sector capacity was about 450,000 metric tons in 1983, a year when prices rose by 50 per cent. This trend has been confirmed since the beginning of 1984.

# Nixdorf shares in demand

BY JOHN DAVIES IN FRANKFURT

THE PUBLIC share offering from Nixdorf Computer, the West German data processing company, was heavily oversubscribed yesterday.

The share issue, through a consortium headed by Deutsche Bank, has raised about DM 550m (\$205m) and is by far the largest of the recent spate of new stock market launchings in West Germany.

The Nixdorf non-voting preference shares, making up about 20 per cent of total capital, were offered at DM 300 a share and will qualify for a

dividend from the beginning of this year. They will be traded on all eight German stock exchanges from next Tuesday.

The issue paves the way for continued expansion by Nixdorf to exploit business opportunities in computer, office equipment, and communications technologies.

Herr Heinz Nixdorf, founder and chief executive, expects to double the 1983 sales of DM 2.7bn in the next four years. Sales in the first four months of this year were up 20 per cent on a year ago.

# Spanish SE open longer

MADRID—The Spanish stock exchanges have now increased their trading week from four to five days and lengthened their daily trading sessions by one hour, from 10 am to 1 pm (3 am to 11 am GMT).

The measure was authorised by the Ministry of the Economy and affects the stock exchanges in Madrid, Barcelona, Bilbao and Valencia. Until now, trading took place from Tuesday to Friday.

Market officials hope the new trading hours will lead in increased activity. They said that

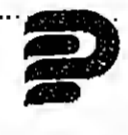
# INTERNATIONAL APPOINTMENTS

- New chief at World Courier**  
 ● **WORLD COURIER INC.**, Greenwich, Connecticut, has appointed an Englishman, Mr Wayne Heyland, as its group president and chief executive. World Courier has 65 companies worldwide. Mr Heyland is currently European vice-president and UK managing director in the group. He will take up his new post in the U.S. in early June. His UK responsibilities will be taken over by Mr Maryna Crowley Davies, the company's financial director, and Mr Michael Douglas Thompson, World Courier's London-based director of operations.  
 ● Mr James Antonio, the state auditor of Missouri, has been appointed full-time chairman of the newly-formed GOVERN-
- MENTAL ACCOUNTING STANDARDS BOARD**, which will establish standards for financial accounting and reporting by state, county, and municipal governmental entities. Mr Antonio was elected state auditor in 1978 and re-elected in 1982. He also has practised public accounting and taught accounting at the Universities of Illinois, Missouri, and South Florida. Mr Martin Ives, former first deputy controller of New York City, and prior to that deputy controller of New York State, will be vice chairman and director of research and also will serve full time.
- Mr Stanley A. Seneker has been elected president of FORD MOTOR CREDIT COMPANY. An assistant treasurer of Ford Motor Company since 1977, he succeeds Mr Kenneth Whipple who has been elected a Ford vice president and appointed head of its corporate strategy and analysis staff. Mr Richard G. Beasley has been elected vice president—finance from June 1.
- He succeeds Mr Seymour I. Gilman who has accepted a position on Ford's finance staff.
- Mr V. Peter Haug has been named president of MIRROR IMAGES BUSINESS SYSTEMS INC. (MIBS), a subsidiary of Mirror Software, Inc. MIBS develops and markets sophisticated software for independent insurance agents. Mr Haug was vice president of marketing for Merchant's Insurance Group in Buffalo, N.Y.
- SPERRY CORPORATION, New York, has appointed Dr Peter Gross to its international advisory board. He is executive vice-president and a member of the board of management of the Union Bank of Switzerland in Zurich.
- Mr W. J. (Billy) Edgway has been appointed managing director of OFFICE PRODUCTS INTERNATIONAL, with Mr Patrick Cosgrave as director, sales and marketing. A new company, it is the marketing and distribution arm for the Twinlock and Acco companies
- throughout the Republic of Ireland. It replaces both Twinlock Ireland and Acco Ireland. Twinlock was acquired by the Acco World Corp. late last year. Mr Ridgway was managing director of Twinlock Ireland, and Mr Cosgrave was sales manager for Acco Ireland.
- Mr Ray F. Kayser has joined MAIN HURDMAN/KMG, as director of banking consulting services. He was a vice-president and officer-in-charge of the consumer business system project management office at Citibank New York, a division of Citicorp.
- Mr D. Stearns has been appointed managing director of SOUTH WALES ELECTRIC (PRIVATE), a Hawker Siddeley company based in Zimbabwe, while Mr D. M. Clarke joins the board as director (factored goods). Both are promotions. The company, with works in Harare and Bulawayo, manufactures power and distribution transformers and switchgear, and merchandises and services electric motors and diesel engines.

This announcement appears as a matter of record only.

NEW ISSUE May 23, 1984

4,000,000 Shares




**Pohjola Insurance Company Ltd.**

Class B Common Stock

The undersigned acted as financial advisors to Pohjola and directly placed the above Shares with United States and European institutional investors.

The First Boston Corporation  
Reinheimer Nordberg Inc.  
Kansallis-Osake-Pankki

This announcement appears as a matter of record only.



**KINGDOM OF DENMARK**

Dfls 100,000,000


8½% bearer Notes 1984 due May 15, 1991

Amsterdam-Rotterdam Bank N.V.	Manufacturers Hanover Limited
Algemene Bank Nederland N.V.	Swiss Bank Corporation International Limited
Bank Mees & Hope NV	
Pierson, Helderling & Pierson N.V.	

May, 1984

**The Industrial Bank of Japan Finance Company N.V.**

U.S.\$50,000,000  
Guaranteed Floating Rate Notes Due 1985




In accordance with the provisions of the Reference Agency Agreement between The Industrial Bank of Japan Finance Company N.V., The Industrial Bank of Japan Limited and Citibank, N.A., dated November 28, 1978, notice is hereby given that the Rate of Interest has been fixed at 12 1/8% per annum that the interest payable on the relevant Interest Payment Date, December 5, 1984, against Coupon No. 12 will be US\$45.13.

June 5, 1983, London  
By: Citibank, N.A. (CSI Dept.), Reference Agent **CITIBANK**

We are pleased to announce that

**Christopher J.S. Clegg**  
Managing Director,  
Oppenheimer International Limited, London  
has been elected a  
Senior Vice President of our company.



**Oppenheimer & Co., Inc.**

INTL. COMPANIES & FINANCE

FT COMMERCIAL LAW REPORTS

Volvo Truck builds on a sales gain in the U.S.

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT



Sten Langenius

VOLVO'S TRUCK operations in the U.S. which sustained a substantial loss last year, are now operating profitably and should make a positive contribution to group profits in 1984, says Mr Sten Langenius, president of the Volvo Truck Corporation, the subsidiary of the Swedish motor manufacturer.

concerned—for the truck and bus business fell from 14 per cent to 5 per cent. This year the truck operations are benefiting a dramatic revival of demand for heavy (over 16 tonnes gross) trucks in the U.S. The total market reached only 75,000 units last year but currently is running at an annual rate of 130,000 and still rising.

Langenius maintains the target is a 1 per cent annual increase. He admits Volvo has no magic formula; "We will make progress by being slightly better than the competition in all departments: in the trucks and in the back-up service we provide."

The UK is likely to be Volvo's major European market again in 1984 although last year it fell behind France where the Swedish group had 4,340 vehicles registered against 3,910 in Britain.

Table: VOLVO TRUCK SALES IN LARGEST MARKETS. Columns: Gross Vehicle, Weight, Registrations, Market Share. Rows: U.S., France, UK, Sweden, Netherlands, Belgium, Brazil, Denmark, Norway, West Germany, Australia, Portugal.

Prices are still under pressure, he points out, because during the 1979-80 boom in truck demand, world-wide capacity for heavy trucks was lifted to around 750,000 a year whereas manufacturing absorbed only 385,000 to 400,000 in 1983.

Mr Langenius says that Volvo Truck decided some years ago that its priority targets must be the developed markets because its highly-developed vehicles were unsuitable for third-world countries.

But this year Volvo will not chase after market share in the U.S. Volvo in 1981 acquired the assets of the bankrupt White Truck Corporation. Since then, according to Mr Langenius, Volvo has spent a further \$50m on top of the \$70m paid for the assets, a small entry fee for such an important market, he insists.

No interest on delayed debt

PRESIDENT OF INDIA v LA PINTADA COMPANIA NAVIGACION SA. House of Lords (Lord Fraser of Tullybelton, Lord Scarman, Lord Roskill, Lord Bridge of Harwich, and Lord Brandon of Oakbrook): May 24 1984

A CREDITOR is not entitled to compound interest on debts paid late before an arbitration award is made; and he is only entitled to an award of simple interest on delayed debts where there is statutory provision or agreement between the parties to that effect.

The House of Lords so held when allowing an appeal by sub-charterers, the President of India, from Mr Justice Staughton's decision to uphold an award of simple interest to shipowners, La Pintada Compania Navigacion SA, on a debt repaid late during the course of arbitration proceedings.

Lord Justice Watkins considered, however, that the appeal should be allowed on Lord Denning's subsidiary ground, that the case came within the provisions of section 10 of the Arbitration Act 1979, which provides that the award of interest is a matter of discretion, not of right, and expressly forbids the award of interest on interest, i.e. compound interest.

The greater part of the injustice to creditors had now been removed by legislative intervention, and to a lesser extent by judicial qualification. When Parliament accepted the Law Commission's recommendations in a particular field, but took what appeared to be a policy decision not to give effect to further recommendations in the same field, any decision which effected them by another route could well be regarded as an unjustifiable usurpation of Parliamentary functions.

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND. OFFICIAL DEALINGS IN THE STOCKS ON THE STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON WEDNESDAY, 6th JUNE, 1984.

ISSUES OF GOVERNMENT STOCK. The Bank of England announces that Her Majesty's Treasury has created on 4th June 1984, and has issued to the Bank, additional amounts, as indicated, of each of the Stocks listed below.

COMPANY NOTICES. OESTERREICHISCHE ALPINE MONTANGESellschaft (VOEST-ALPINE). Bonds of 1985 Dfl. 1000. U.S. DOLLAR 2000.000. 14th Dividend by lot of May 11, 1984.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED. Dividend No. 110 on Preferred Stock. Dividend No. 110 of three per cent on the share capital of the Corporation for the year ended 31st December 1983.

THE JAPANESE ART OF COMPUTING. Toshiba computers are to be found gracing the offices of some of the world's top decision makers who appreciate the power of this sleek and elegant microcomputer.

CLASSIFIED ADVERTISEMENT RATES. Commercial and Industrial Property: 9.50 per line. Business, Investment Opportunities, Business for Sale/Wanted: 7.50 per line. Personal: 7.50 per line. Motor Cars: 7.50 per line. Hotels and Travel: 9.50 per line. Contracts and Tenders: 9.50 per line. Book Publishers: net 15.50.

INTL. COMPANIES & FINANCE

*All of these Securities have been sold. This announcement appears as a matter of record only.*

**U.S. \$50,000,000**  
**The Toronto-Dominion Bank**  
**12 5/8% Deposit Notes Due 1989**

**MORGAN STANLEY INTERNATIONAL**

<b>AMRO INTERNATIONAL</b> <small>Limited</small>	<b>BANK BRUSSEL LAMBERT N.V.</b>
<b>CONTINENTAL ILLINOIS CAPITAL MARKETS GROUP</b>	<b>CREDIT SUISSE FIRST BOSTON</b> <small>Limited</small>
<b>DAIWA EUROPE</b> <small>Limited</small>	<b>GOLDMAN SACHS INTERNATIONAL CORP.</b>
<b>KLEINWORT, BENSON</b> <small>Limited</small>	<b>MANUFACTURERS HANOVER</b> <small>Limited</small>
<b>MacleOD YOUNG WEIR INTERNATIONAL</b> <small>Limited</small>	<b>MERRILL LYNCH CAPITAL MARKETS</b>
<b>MORGAN GUARANTY LTD</b>	<b>SALOMON BROTHERS INTERNATIONAL</b> <small>Limited</small>
<b>SOCIETE GENERALE</b>	<b>SOCIETE GENERALE DE BANQUE S.A.</b>
<b>TORONTO DOMINION INTERNATIONAL</b> <small>Limited</small>	<b>UNION BANK OF SWITZERLAND (SECURITIES)</b> <small>Limited</small>
<b>S. G. WARBURG &amp; CO. LTD.</b>	<b>WOOD GUNDBY LIMITED</b>

April, 1984

**Flotation dilemma for Gold Peak in HK**

By David Dodwell in Hong Kong

MR VICTOR LO, general manager of Gold Peak Industries (Holdings), Hong Kong's largest manufacturers of batteries, is on the horns of a dilemma today. Should he proceed with plans for a public flotation, or how to the bearish forces that have wiped 20 per cent off the value of Hong Kong stocks over the past two months and brought a long queue of prospective floatations to a standstill?

"The collapse of the market has made things very difficult for us," Mr Lo said. "The reasons for floating the company haven't changed. We have given a matter of a lot of consideration, and are convinced the advantages outweigh any disadvantages. With 50 per cent of the work done, it's purely a matter of pricing—and it's almost impossible to say what a fair flotation price will be."

**Worrying conundrum**

As he faces a decision that must be made today or tomorrow, Mr Lo raises another worrying conundrum: "If we go ahead whatever the price, there will almost inevitably be speculation over why we might have been so desperate to float."

At least three other companies that have been standing in the flotation queue—and many other companies besides—are watching Gold Peak now at the front of the queue with more than usual interest to learn whether they will break the bear market, and what price they will have to pay for floating when prices are so low.

Since April 20, when Sir Geoffrey Hoes, the UK's Foreign Secretary, admitted publicly that Britain would in 1987 hand over to China the administration of Hong Kong, almost 20 per cent has been wiped off the value of shares on the Hong Kong stock market.

When Gold Peak prepared the ground for flotation early this year, there were good reasons for that. In August 1983 there had been a string of successful floatations starting with that of Everge, the ceiling fan manufacturer, which raised HK\$135 million in an offer that was 10 times oversubscribed, and coming to a climax with Elec and Elect, the electronics group, whose HK\$224m attracted applications worth a staggering HK\$318.8m.

It is noteworthy that Everge was able to return to the market in March with a placing of shares at a price a time when its shares were trading at more than twice their flotation level of HK\$2.2.

Companies like Gold Peak, Everge, and Elec and Elect, can show the share buying public an impressive growth record over two to three years. Since the chances of maintaining such strong growth are small, there is obviously a ripe for flotation.

A number of companies seeking further attractions in making a public flotation. Some financial realists that flotation would allow them to liquidate some of their investments in companies at a time when nervousness over 1987 has tempted many to transfer

**Japanese pharmaceutical groups show poor growth**

BY YOKO SHIBATA IN TOKYO

JAPAN'S pharmaceutical industry did not show good growth in the year to March. In value terms drug production rose by only 1.3 per cent over the previous year's level—the lowest rate reported for 20 years and compared with an average rate of 14.3 per cent over the previous five years.

While most of the majors in this deeply divided sector containing many small companies managed to increase sales by small amounts, the reduction in Ministry of Health reimbursement prices has hit earnings.

Fujisawa, Shionogi, Eisai, and Takeda all experienced falls in pre-tax profits and of these only Shionogi recorded a gain in after-tax earnings.

Both the level and the form of the cuts in the official reimbursement prices are the main reasons for the mixed but generally poor output. Over the last three years the Ministry has three times reduced the average reimbursement rate so that this is now 40 per cent lower than in 1981. The Health Ministry has made it clear that it would like to see the industry rationalised

with the number of companies reduced and a concentration of resources on new drug development.

According to industry analysts there are several drug makers in financial trouble. Even some of the listed ones have approached banks and securities houses for help to arrange mergers or even their acquisition by foreign drug companies.

In 1982 Merck of the U.S. acquired stakes in Banyu and Torii, of 5 and 30 per cent respectively, and a merger between these two concerns is considered likely by the market.

Earlier this year Sumitomo Chemical announced that it and Inaba would hive off their drug divisions and form Sumitomo Pharmaceutical as from October. The Mitsubishi group is also said to be looking at a regrouping of its drug related activities.

Foreign drug companies are taking advantage of the relative lack of protection of this market to launch a major sales offensive. Ciba-Geigy cancelled its sales tie-up with Fujisawa and sells now through its own network. Bristol-Myers now fully owns what was a joint sales venture with Banyu. It also plans to cancel its sales links with both Fujisawa and Takeda and market its own drugs directly from 1985.

Parent company results for year to March 31

Company	Sales Ybn	Change %	Net profits Ybn	Change %
Takeda	478	+1.9	28.85	+5.3
Sankyo	232	+5.0	8.9	+11.1
Fujisawa	224	+2.4	10.98	-8.7
Shionogi	177	-2.5	9.54	+22.2
Eisai	135	+5.9	6.0	-12.5
Taiho	105	+5.2	14.25	-1.3
Daiichi	82	+0.3	3.67	+28.4

**Loan limits for Malaysian banks**

BY WONG SUI LONG IN KUALA LUMPUR

THE MALAYSIAN banking authorities are proposing to limit bank loans to customers as part of a tightening up of the banking system following the exposure of Bank Bumiputera to the collapsed Carrian property group in Hong Kong.

Bank Negara, the central bank, met representatives from the association of banks on May 18, and proposed that lending to a single customer should not exceed 15 per cent of the bank's shareholders funds. In the case of branches of foreign banks, it should not exceed 15 per cent of their net working capital.

The central bank stressed that it was essential for banks to broaden their lending portfolio to lessen the risk of over-exposure.

The lending limit, does not apply, however, to loans for external trade or local trade backed by letters of credit or documentary credits as these loans are short-term and self-liquidating.

Loans to the Federal Government or those guaranteed by it are also exempted from the proposed limit, although it is not clear whether loans to state governments, which are not guaranteed by the federal authorities, are also exempted. Bankers say they generally welcome the move, although they are not sure on how to classify "a single customer".

Bank Negara feels it would be prudent to aggregate borrowings by a single customer with that of loans of his related interests. For companies, this should cover the parent company, its subsidiaries and its major associate companies.

Some banks, particularly the small ones, feel the 15 per cent limit is too restrictive, and if implemented, could force them to restructure their lending to clients, thereby affecting profitability. They would like to see the loan limit raised to between 20 and 30 per cent.

**Queensland gas search by Santos**

By Michael Thompson-Noel in Sydney

SANTOS, the major Australian oil and gas producer, is planning a three year, A\$120m (US\$107m) exploration programme in Queensland, and is confident its search will yield substantial oil and gas reserves.

The company said 15 gas fields awaited development in southwest Queensland. It hopes to start development of the gas fields could move at a similar pace to that of the Jackson oilfield, which is producing oil a little more than two years after its discovery. This year 20 exploration wells will be drilled in Queensland, and similar programmes are expected for 1985 and 1986.

Santos is the major partner in the A\$140m Cooper Basin gas and liquids project in Central Australia. It hopes to profit by \$1 per cent to A\$8.7m in 1985.

WALTONS-BOND, the retail arm of the Bond Corporation is to raise A\$85m to retire debt and restructure. The company plans to make a non-renounceable preference issue of 99.5m shares at 50 cents each on the basis of one share for each share held. Its shares closed on Friday at 45 cents.

**BASE LENDING RATES**

A.B.N. Bank .....	9 1/2%	C. Hoare & Co. ....	9 1/2%
Allied Irish Bank .....	9 1/2%	Hongkong & Shanghai ..	9 1/2%
Amro Bank .....	9 1/2%	Kingsnorth Trust Ltd ..	10 1/2%
Bank of America .....	9 1/2%	Kowloon & Co. Ltd .....	9 1/2%
Bank of Australia .....	9 1/2%	Lloyds Bank .....	9 1/2%
Bank of Canada .....	9 1/2%	London & Lancashire ..	9 1/2%
Bank of India .....	9 1/2%	Mallinthal Limited .....	9 1/2%
Bank of Ireland .....	9 1/2%	Edward Manion & Co. ..	10 1/2%
Bank of Japan .....	9 1/2%	Mesbray and Sons Ltd. ...	9 1/2%
Bank of New Zealand .....	9 1/2%	Midland Bank .....	9 1/2%
Bank of Oman .....	9 1/2%	Morgan Grenfell .....	9 1/2%
Bank of Singapore .....	9 1/2%	National Bk of Kuwait ..	9 1/2%
Bank of South Africa .....	9 1/2%	National Girobank .....	9 1/2%
Bank of Swaziland .....	9 1/2%	National Westminster ..	9 1/2%
Bank of Thailand .....	9 1/2%	Norwich Gen. Trst. ....	9 1/2%
Bank of Victoria .....	9 1/2%	People's Trst & Sv. Ltd ..	10 %
Bank of West Africa .....	9 1/2%	R. Raphael & Sons .....	9 1/2%
Banco de Bilbao .....	9 1/2%	R. S. Nelson & Co. ....	9 1/2%
Bank Hapoalim BM .....	9 1/2%	Royal Bank of Canada ..	9 1/2%
BCCI .....	9 1/2%	Royal Trust Co. Canada ..	9 1/2%
Bank of China .....	9 1/2%	Standard Chartered .....	9 1/2%
Bank of Cyprus .....	9 1/2%	Trade Dev. Bank .....	9 1/2%
Bank of East Africa .....	9 1/2%	Trust Bank .....	9 1/2%
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Bank of Japan .....	9 1/2%	United Bank of Kuwait ..	9 1/2%
Bank of Korea .....	9 1/2%	United Mizrab Bank .....	9 1/2%
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Banco de Bilbao .....	9 1/2%		
Bank Hapoalim BM .....	9 1/2%		
BCCI .....	9 1/2%		
Bank of China .....	9 1/2%		
Bank of Cyprus .....	9 1/2%		
Bank of East Africa .....	9 1/2%		
Bank of India .....	9 1/2%		
Bank of Ireland .....	9 1/2%		
Bank of Japan .....	9 1/2%		
Bank of Korea .....	9 1/2%		
Bank of London .....	9 1/2%		
Bank of Mauritius .....	9 1/2%		
Bank of Mexico .....	9 1/2%		
Bank of New Zealand .....	9 1/2%		

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

MANAGEMENT BUY-OUTS— transactions by which executives acquire a substantial stake in, and frequently control of, the business they formerly managed—now appear to be a well accepted feature of the UK industrial and financial scene.



A recent gathering of representatives of Spicer and Pegler-supported management buy-outs which have taken place in the West Midlands during the last five years

Learning lessons from management buy-outs

BY TIM DICKSON

So what lessons can be learned from the experience of those which have achieved independence in this way over the last five years?

In an attempt both to answer this question and to provide their own expertise, the accounting firm Spicer and Pegler recently had the bright idea of setting together representatives of most of the 28 West Midlands-based buy-out teams they have supported over this period.

Not uncharacteristically, the guests were in celebratory mood since, according to Spicer, not one has failed "and only two have faced serious financial problems... (in each case) due to factors outside their control."

Management. "The fundamental failing in a management buy-out will inevitably be management." Many executives who had the title managing director in a large group, say Miles and Miles, find things very different when they get out into the "wilderness" and try to run a business independently.

Comments Harris: "I'm sure we are now more responsive to our customers' needs. We know that if we mess up a contract it's our money that is at stake."

Ownership change (one even sent some champagne to help celebrate the deal). "I think it was important that we spoke to all our suppliers at the time," says Harris.

Banker's panic. Spicer says that spectacular collapses in some big buy-outs has produced "something approaching panic" in the breasts of clearing bankers.

SWINDON Enterprise Trust has set up a small loan guarantee scheme to help small businesses starting up. Thanks to a £10,000 grant from Thamesdown Borough Council's "employment initiative" fund the trust will act as guarantor for up to 70

A classic of its kind

"THE FIRST nine months were dramatic," recalls Stephen Harris, managing director of Wisbech-based colour printers Baiding and Mansell.

is healthier and projected sales of £5m for the 12 months to September will be 20 per cent up on the previous year.

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Other investment opportunities are available throughout England. For further details please contact: Mr. Ian Parker, Property Manager, English Estates, St. George's House, Kingsway, Team Valley, Gateshead, Tyne & Wear NE11 0NA. Telephone: Tyneside (091) 487 8941.



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(We regret no telephone enquiries can be accepted.)

We are a trading company seeking a controlling share in a wholesale distributor dealing in household goods in the London area.

Replies to: The Managing Director
GLOWTEAM LIMITED
130 Worple Road, Wimbledon, London SW19 4JF

A charge for former free advice service

THE Government has started making a charge for its popular Small Firms Technical Enquiry Service (TES).

Established in mid-1982 as a free service for manufacturing firms with less than 200 employees, the TES puts business people directly in touch with the appropriate expert who, if necessary, will pay a visit to the company.

there was a threefold surge in demand.

More than 100,000 UK businesses are believed to be eligible for the TES, which has so far served about 6,000 firms. The main types of enquiry have been on production methods, material selection and the application of micro-computers but advice on machinery and plant selection and export marketing has also been provided.

A way through the machine minefield

PATRICK BARBOUR was going to buy a £2,350 computer printer for one of his businesses until he discovered that the machine could perform all that the company would ever require in just eight minutes a day—leaving a vast amount of unused and a very expensive surplus capacity.

"In the event we bought a printer for just £500. It did all we wanted and still had some spare capacity left for things we had not thought of," says Barbour, chairman of the Barbour Index group of publishing and information companies.

One of these companies, Barbour Builder, today launches a new service to help businessmen overcome the costly and wearing task of choosing the right office equipment to suit their company's needs.

"We realised from our own experience that it is very difficult for most company directors to make sense of the vast array of equipment available on the market," says Barbour. "For example there are almost 250 different computer printers ranging in price from £139 to £100,000."

Barbour Builder is offering its new service for £25 a year. It provides a large handbook identifying the prices and rental characteristics of more than 3,000 different pieces of equipment—ranging from envelope sealers, burners and guillotines to sophisticated computers, copiers and microfilm retrieval systems.

Customers will receive regular newsletters, and there is also a telephone information service to keep them abreast of new developments in the office equipment field.

"The service is designed to help people avoid buying equipment they do not need or which will not do the job they require. It should also help people who are not sure what they are going to require to gain some idea of the sorts of different equipment on the market," says Barbour.

Product Selector—the automated office: Barbour Builder, Phoenix Way, Cirencester, Glos. GL7 1RY. (Tel. 0285 66224), 585.

Andrew Taylor

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THE BRITISH AIRPORTS AUTHORITY will shortly be inviting tenders for the operation of its DUTY FREE SHOP at GLASGOW, Scotland's premier AIRPORT and separately for the operation of its DUTY FREE and DUTY PAID SHOPS at STANSTED AIRPORT. Both Duty Free shops sell a wide range of Liquor and Tobacco goods together with Tax Free Perfume, Clothing and Gifts and at Stansted the Duty Paid range includes Reading Matter, Confectionery, Tobacco, Souvenirs and Gifts.

Under 5 year concession contracts the successful tenderers will be required to pay tendered percentages of turnover. The shops are provided fully fitted except for tills and moveable items. At Glasgow the current turnover is approximately £3m per annum and the airport currently handles some 500,000 international departing passengers, forecast to increase to about 700,000 per annum during the period of the contract. At Stansted the turnover is approximately £1m per annum and the airport currently handles some 160,000 international departing passengers.

Companies with relevant expertise and appropriate financial and management resources are invited to write giving details of their experience, organisation and financial standing to J E Newcombe, Contract Development Manager, British Airports Trading, Atlantic House, Gatwick Airport, Gatwick, West Sussex, RH6 0NP. It is intended that interviews will be held with suitable companies when further details will be given and from these tender lists will be selected.



Businesses for Sale

**FOR SALE MANUFACTURING JEWELLERS**  
The assets and business of **W WESTON & SON LIMITED** (In Receivership)  
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Enquiries to:  
The Receiver and Manager  
J Barry Davis, FCA  
Neville Russell  
Lancaster House  
67 Newhall Street  
Telephone: 021-236 7711  
Birmingham B3 1NU.

**Musical Instrument Distributor**  
Luton  
Established national distribution business operating from leasehold premises in Luton and remaining stocks of electronic organs. Ideally suited to manufacturer wishing to establish in the U.K.  
For sale by the Receiver.  
Enquiries to F. J. Mamelok  
Peat, Marwick, Mitchell & Co.  
Norfolk House  
43 Sidney Boulevard  
Central Milton Keynes, Bucks.  
Telephone: (0906) 681881  
Telex: 8811541

**Land Drainage Machinery and Allied Equipment**  
The Assets of K. G. Hoes Limited are offered for sale as a going concern. The company occupies freehold premises - 1 1/2 acres, near Fakenham, Norfolk. The workshops and offices cover an area of 29,000 sq. ft. Turnover for 1983 in excess of £1m.  
Assets comprise fully equipped workshop, including line boring machine, stock of spares and raw materials and three completed machines.  
For further details apply to:  
M. A. Jordan and  
I. M. Sison  
Joint Receivers and  
Managers  
Cork Gully,  
74 The Close,  
Norwich,  
Norfolk NR1 4DE  
Tel: 0603 619425

**THRELLS GROUP**  
A long established group engaged in the manufacture of household textiles with a current annual turnover of £11m.  
The group operates from leasehold premises, equipped with modern automated production units, close to the city centre of Manchester. There is a good order book.  
Further details from: The Joint Receivers David Rowlands, Brackenrose House, Brackenrose St, Manchester M2 SAX Telephone: 061-834 5414 - Telex: 667235 or Maurice Withall, Fairfax House, Fulwood Place, London WC1 6DW Telephone: 01-405 6422 - Telex: 28984  
**Thornton Baker**

**FOR SALE Snooker Club**  
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**Garment Manufacturers**  
Tyne and Wear area  
The business and assets of a well established private company, located principally in the Tyne and Wear area and engaged in the design and manufacture of ladies' wear and children's leisure wear, are for sale as a going concern.  
Major assets comprise: 50,000 sq. ft. offices in Central London and Midlands; manufacturing plant and machinery; motor vehicles; stock in trade and trademarks.  
Turnover is in the region of £5m per annum and the company presently employs 270 people.  
For further details please contact:  
G. R. Adams or A. J. Richmond:  
Peat, Marwick, Mitchell & Co.,  
27 Grainger Street,  
Newcastle-upon-Tyne NE1 5JT.  
Tel: Newcastle (0632) 328815.

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01-629 8501

**Jonathan Drew Limited** (In Receivership and Liquidation)  
The business and assets of Jonathan Drew Limited, comprising a chain of 12 leasehold shops in the Nottinghamshire/South Yorkshire area and their inventory (principally tobacco, wines, spirits and confectionery) are available for sale.  
Further details from The Receiver and Manager, R. L. H. Knight, F.C.A., Macintyre Hudson, 28 Ely Place, London EC1N 8RL Telephone: 01-242 0242. Telex: 25177.  
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**Touche Ross & Co.**  
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Telephone: 0222 481111

**JEWELLERY COMPANY**  
Long established specialist manufacturers of high quality products in precious metals available due to impending retirement of Directors. Turnover exceeds £1.5m mainly home market with further considerable expansion potential. The Company has an extremely strong financial base and consistently high return on capital employed.  
Principals only are requested to write to:  
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**WANTED**  
We are a publicly quoted Company operating in the building products industry.  
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All replies will be kept in the strictest confidence.  
Principals only please write to the Managing Director  
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Joint Receiver and  
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Telephone: 01-206 7700  
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All letters will be answered. Capital availability is of the order of £5m.

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Principals should contact Box G5792, Financial Times  
10 Cannon Street, London EC4P 4BY

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UK plc wishes to acquire medium sized companies with growth potential serving industrial/professional markets. Substantial funds available.  
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UK COMPANY NEWS

Progress continues at Tozer Kemsley to profits of £6.6m

FOLLOWING THE return to profits at the midway stage by Tozer Kemsley & Millburn (Holdings), continuing progress has been shown for 1983 with profits of £6.6m against previous losses of £8.34m.

Lec Refrigeration
Points from the Accounts and Statement by the Chairman, Mr. C. R. Pury
Turnover in 1983 highest yet at £48,206,000.

Gable House confident of topping forecast

WITH MOST of its sales being effected in the second half of the year, Gable House Properties is confident that its group pre-tax profit for the year ending June 30, 1984 will "comfortably exceed" the earlier forecast of £500,000.

Ladbroke Index
Based on FT Index 336-840 (+20)
Tel: 01-693 5261

Dominion Intl. achieves £6m and pays 4.8p

A 50 PER CENT advance in profits to £6.01m for the year ended March 31 1984 is reported by Dominion International Group, which is engaged in property development, natural resources, and financial services.

Comtech hit by rise in research costs

FOURTH QUARTER losses of Combined Technologies Corporation widened by £438,000 to £2.36m compared with the previous final quarter and left the group £1.06m deeper in the red.

Net monthly production has increased from an average of 5,300 barrels of oil and 47m cubic feet of gas last year to some 8,900 barrels and 101m cubic feet currently.

Laird looking for expansion

THE FINANCIAL position of the Laird Group remained stable, Ian Morrow, chairman, told the annual meeting. And the group was actively seeking to utilise its cash to make further acquisitions.

property and oil—have a kind of logic, it is only because these are the areas in which the senior managers feel they have expertise.

Improvement by Airflow Streamlines

AN IMPROVEMENT in pre-tax profits from £432,000 to £560,000 has been shown by Airflow which aims to provide a critical mass of work as a blend of cash-generative and cash-hungry operations.

FOSTER BROTHERS
ESQUIRES
DORMIE
MILLETTS
NATIONAL SHIRT
ADAMS
"HisPlace"
YOUR PRICE
A year of success, Group sales exceed £100m for the first time; profits doubled

ADVANCE
Towelmaster towel cabinets, Linen, Wet Room Detergent, etc.
ADVANCE SERVICES
We continue to compete successfully in our present markets and have made a good start in expanding our business investments.

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1983-84 High Low Ass. Crk. Ind. Ord. 131 131



MINING NEWS

UK COMPANY NEWS

Anglo lifts final dividend after strong second half

BY GEORGE MILLING-STANLEY

THANKS LARGELY to better performance from the gold and diamond interests, Anglo American Corporation of South Africa has turned in record profits for the year to March 31, and declared an increased dividend. The group has simplified the presentation of its figures, putting together a number of items which had previously been reported separately, but this cannot obscure the fact that better showings from a number of the divisions, coupled with the policy of paying as much as possible to the parent company, has given Anglo even higher profits than in 1981.

Group attributable profits before the share of the retained profits rose to £254.1m (£213m), well ahead of last year's £108.8m and the highest level of non-equity accounted earnings ever recorded. 1984 1983

Investment income 456.4 489.2
Other net income 10.0 28.8
Taxation 776.5 737.7
Net profit 884.4 954.4
Minorities 107.6 108.1

The association did exceptionally well, with the total contribution up from £130.9m to £246.1m, largely on the back of improvements at De Beers Consolidated Mines, Minerals and Resources Corporation (Minroco), the South American companies, the Premier group and Anglo. The group's principle investment vehicle, Anglo American Investment Corporation, was the main contributor to this year's success.

Gencor spending £73m to win control of Samancor

SOUTH AFRICA'S second largest mining house, the General Mining Union Corporation (Gencor) group, has completed the deal set in motion last July to acquire control of South African Manganese Amcor (Samancor), the big manganese and ferro-alloys producer. Gencor is to pay R128.7m (£73m) in cash to Iscor, the state-controlled steel group, for the outstanding 44 per cent it does not already own in African Metals Ltd (AML). That company's sole asset is a holding of 68 per cent in Samancor, writes Jim Jones in Johannesburg. The mining group acquired an initial 50.25 per cent of AML from Iscor last July, in exchange for its interests in Busswart, a steel producer, and the Hibane coking coal mine in a deal worth R92m.

Lac Minerals to reopen former gold producer

CANADA'S Lac Minerals plans to reopen the old Lake Shore gold mine at Kirkland Lake, Ontario, which closed in 1963 after extracting gold down to a depth of 8,000 ft below surface. Lac is to spend C\$2.4m (£1.3m) on surface facilities in 1984, including the construction of a headframe and hoist for the old No. 5 shaft. The mine is expected to come into production in 1986 at an initial rate of 250 tons per day, employing 90 men. The old shaft will be reopened down to the 4,000 ft level only, as any operations below that would require dewatering. The Kirkland Lake camp, which contains a number of former gold producers, is inter-

BOARD MEETINGS

Table listing board meetings for various companies including Anglo American, Anglo American Investment, Anglo American Corporation, Anglo American Investment Corporation, Anglo American Investment Corporation, Anglo American Investment Corporation, Anglo American Investment Corporation, Anglo American Investment Corporation, Anglo American Investment Corporation, Anglo American Investment Corporation, Anglo American Investment Corporation.

This gave rise to profits attributable to ordinary shareholders of R864.7m, up from R617.5m last time. Earnings per share before extraordinary items was 68.3 cents, compared with 55.3 cents, and the equity-accounted basis earnings are shown as 39.2 cents against 30.9 cents. Anglo has announced a 10 cent increase in the final dividend to 50 cents, which with the maintained interim of 35 cents makes a total for the 12 months of 120 cents. Other net income is shown as R10m, down from last year's R26.5m, largely because interest charges and prospecting costs were both higher. The group was, however, helped by the fact that no tax is payable on dividends in South Africa, and as these provided the bulk of income the tax charge was lower. A further boost was provided by extraordinary credits totaling R64.5m, against debits last

COMPANY NEWS IN BRIEF

In Saturday's edition the chairman of Burmah Oil was given as Sir Alexander Downer. He is to retire last year and the chairman is now Mr J. N. Malby. SEYMOUR, PIERCE & COMPANY have completed the placing of 44m Portsmouth Water Company and Elm York Water works Company 13 per cent redeemable debenture stocks, 1984 at £100 per cent, £10 paid. Dealings will commence on June 6. Immediate Business Systems, a USM company, incurred a taxable loss of £2.38m, against £1.6m, in the year to end-March 1984 on turnover of £1.21m compared with £700,000. There was again no tax charge. Last time minorities amounted to £6,000. There is still no dividend. Brokers to Edlington Oil & Gas have placed 1m shares of Irish 5p in London and Dublin at Irish 222p, or 180p sterling. The number of shares in issue is now 21.8m. The first of a new, three well-

Data General gains London share listing

Data General the once-troubled U.S. computer group which has made a major recovery, is to have its shares listed on the London Stock Exchange from June 8. Mr Edgou de Castro, president of Data General, said in London yesterday: "Listing our stock on the largest European exchange reinforces our commitment to the European data processing market. It will also help us raise capital in Europe to finance our future expansion." Data General's revenues for the full year ending September 1984 are expected to be about \$1.1bn (£730m) compared with \$828m in the last financial year. Net income which fell from \$54m (£31.7m) in 1980 to \$31.1m last year is also expected to be significantly higher. Mr de Castro said operating margins would be over 10 per cent by the end of the year and would be in the "low teens" in 1985. In the second quarter of the current financial year operating margins rose to 7.8 per cent. Data General was once one of the world's most profitable computer companies with operating margins in the 1970s of about 20 per cent. But in the last quarter of 1983 these had plummeted to 0.1 per cent. Data General has made a major recovery following major management changes and through the introduction of a new generation of powerful mini-computers.

N. Telecom first quote outside North America

Northern Telecom, the second largest North American manufacturer of domestic telecommunications systems, yesterday obtained a listing for its shares on the London Stock Exchange. This is the first listing for Northern Telecom outside North America. It reflects "the commitments we have made, and intend to continue to make, in international markets," said Mr Walter F. Light, the chairman. The group set up a UK company, Northern Telecom plc, in October last year. With a factory in Hemel Hempstead and a laboratory in Maidenhead, it employs 400 staff. We set up Northern Telecom because we believe the liberalisation of the telecommunications market in Britain provides an attractive opportunity for a company such as ours to grow," said Mr Light. In calendar 1983, the group made net earnings of C\$227m (£125.7m) on sales of C\$330.4m. Mr Light said that the group was on track for its current year target of growth in sales and earnings of over 25 per cent.

Advertising agency seeks Stock Exchange placing

BY ALISON HOGAN

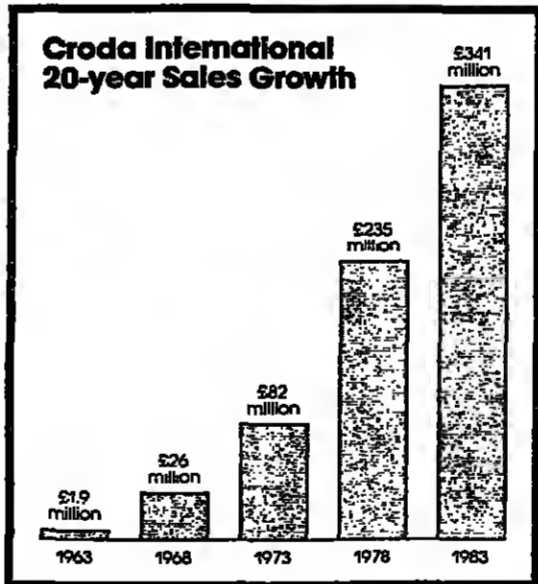
Lowes Howard-Spink Campbell-Ewald, the advertising agency which created the slogan for the lager that refreshes the parts other beers cannot reach, is coming to the market for a listing on the Stock Exchange. It will offer for sale by tender 32.8 per cent of the equity at a minimum tender price of 185p, giving the company a £19.8m market value. The advertising agency has a list of blue chip clients which include General Motors, Leylands Bank, Unilever and Whitbread. It is an amalgam of merged agencies; most recently, in September 1983, the UK-based agency of Lowe & Howard Spink merged with Wesley Campbell-Ewald, part of Interpublic, a U.S. holding company. The merger brought together a highly creative partnership. Lowe & Howard-Spink, with an internationally established agency, Interpublic has three autonomous and competing advertising agency systems, including Marchbanks Campbell-Ewald Worldwide, of which Wesley Campbell-Ewald is its UK arm. After the flotation, Interpublic will have a 30 per cent stake in Lowe Howard-Spink Campbell-Ewald. The merger makes the advertising agency one of the largest in the UK. Its philosophy is to maintain a relatively short client list allowing senior people to devote adequate time to the clients' business. Each client has a number of brands. Whitbread, for example, consists of Gold Label, Heineken and Stella Artois lagers, four Whitbread beers and Long John Whisky. The agency comes to the market with a five-year record, though because of the recent mergers it consists of figures from Wesley Campbell-Ewald from 1979, and of Lowe and Howard-Spink since 1981. It shows pre-tax profits more than doubled from £464,000 to £1m to 1983, on billings up nearly £7m to £52.89m. The company is coming to the market on a profits forecast of £2.25m pre-tax for the current calendar year on forecast billings of £56m. At the minimum tender price of 185p, that puts the shares on a prospective p/e of 17.8 assuming a 51 per cent tax charge, and a prospective yield of 2.8 per cent. The agency is raising £431.175 through the issue of 475,000 new shares, equal to 4.4 per cent of the enlarged equity, the rest coming from existing shareholders. Morgan Grenfell has underwritten the offer for sale. Brokers to the issue are W. Greenwell. Applications open on Friday June 8 and dealings are expected to start on Thursday, June 14.

Consumers recognise these brands



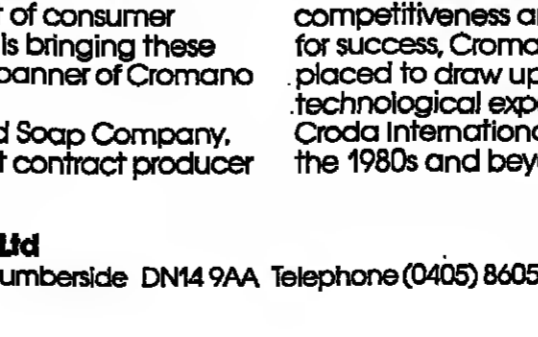
You'll recognise this pedigree

For many years, Croda International has been the manufacturing power behind a host of household products in the food and toiletries industry. It is very likely that the soap you used in the shower this morning or the honey you spread on your breakfast toast were Croda Products. It is also very possible that your favourite restaurant uses Croda Products in its kitchen. Croda Companies have operated in these areas with considerable success, providing a high standard of service and quality aimed to meet the most demanding customer specifications. In order to consolidate these activities in the highly competitive environment of consumer marketing, Croda International is bringing these companies together under the banner of Cromano Consumer Products. This means that The Standard Soap Company, already the largest independent contract producer of soap and toiletries in Europe can further develop its high reputation for design and product creativity. Manley Ratcliffe, Europe's major honey packer, supplies many discerning High Street Multiples with private-label honey. The Ratcliffe range of speciality foods also benefits from the Group's links with Richardson Foods of Canada, manufacturers of quality mayonnaise and salad dressings. London Oil Medina and Supachef Catering Services further extend the new Cromano Group's activities by distributing a range of specialised oils and fats to the catering industry. In areas where design, quality, service and competitiveness are paramount for success, Cromano is well placed to draw upon the technological expertise of Croda International throughout the 1980s and beyond.



Cromano Consumer Products Ltd
Covick Hall Snaith Goole North Humberside DN14 9AA Telephone (0405) 860551 Telex 57601

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DIVIDENDS ANNOUNCED

Table with columns: Company, Current payment, Date, Corri div., Total year, Total last year. Includes Airflow Stream, Dominion Int'l, Cable House.

Dividends shown pence per share net except where otherwise stated. \* Equivalent after allowing for scrip issues. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

# Anglo American Corporation of South Africa Limited

(Incorporated in the Republic of South Africa)

## PRELIMINARY PROFIT ANNOUNCEMENT AND CONSOLIDATED BALANCE SHEET AND NOTICE OF FINAL DIVIDEND ON THE ORDINARY SHARES

Subject to final audit, the abridged consolidated income statement and balance sheet of the Corporation for the year ended March 31 1984 are as follows:

CONSOLIDATED INCOME STATEMENT		CONSOLIDATED BALANCE SHEET	
	1984 R millions	1983 R millions	
Income from Investments	494.8	449.2	Ordinary shareholders' equity
Trading profits	272.0	262.0	Capital and premium
Other net income	14.0	26.5	1 085.6
Profit before taxation	776.8	737.7	Non-distributable reserves
Taxation	110.4	121.3	Distributable reserves
Profit after taxation	666.4	616.4	3 910.5
Attributable to outside shareholders	107.3	105.1	Preferred capital and premium
Preferred dividends	4.5	4.5	44.8
	112.3	109.6	Outside shareholders' interests in subsidiary companies
Group attributable profit—before share of retained profits of associated companies	554.1	506.8	564.3
Retained profits of associated companies	246.1	130.9	Total shareholders' interests
Profit before extraordinary items	800.2	637.7	4 468.7
Extraordinary items (note 1)	64.5	(30.2)	Life assurance funds
Profit after extraordinary items	864.7	617.5	Deferred taxation
Ordinary dividends (note 2)	272.8	249.7	270.7
Retained profit for the year	591.9	367.8	Loan capital
Unappropriated profit, March 31 1983	195.2	145.2	230.8
Adjustment therein for changes in exchange rates	1.3	2.0	Loans from associated companies and others
	196.6	147.2	1 133.0
Transfers to reserves	788.5	515.0	Other liabilities
	(580.4)	(319.7)	548.3
Unappropriated profit, March 31 1984	208.1	185.3	8 385.9

Notes:		1984 R millions	1983 R millions
1. Extraordinary items			
Provision against investments and loans no longer required (net)	4.2	(2.1)	
Provision against investment in subsidiary company	(12.1)	—	
Extraordinary sharedealing profits	6.3	—	
Extraordinary items of associated companies	66.8	(28.0)	
Other items	0.3	2.4	
	64.5	(30.2)	
2. Ordinary dividends comprise:			
No. 95 (interim of 35 cents per share (1983: 35 cents) declared November 24 1983)	79.5	79.4	
No. 96 (final) of 35 cents per share (1983: 75 cents) declared June 4 1984	193.3	170.3	
	272.8	249.7	

### FINAL DIVIDEND

On June 4 1984 a final dividend of 85 cents per share (1983: 75 cents) in respect of the year ended March 31 1984 was declared payable on August 3 1984 to holders of ordinary shares registered in the books of the Corporation at the close of business on June 29 1984 and to persons presenting Coupon No. 101 detached from share warrants to bearer. This dividend, together with the interim dividend of 35 cents a share declared on November 24 1983 makes a total of 120 cents per share for the year (1983: 110 cents). A notice regarding payment of this dividend in holders of share warrants to bearer will be published in the Press by the London Secretary on or about June 15 1984.

The ordinary share transfer registers and the ordinary section of the register of members will be closed from June 30 to July 13 1984, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about August 2 1984. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on July 3 1984 of the rand value of their dividends (less appropriate taxes). Any such shareholders may however elect to be paid in South

African currency, provided that the request is received at the offices of the Corporation's transfer secretaries in Johannesburg or in the United Kingdom on or before June 29 1984.

The effective rate of non-resident shareholders' tax is 14.1291 per cent.

The dividend is payable subject to conditions which can be inspected at the Head and London offices of the Corporation and at the offices of the Corporation's transfer secretaries, Consolidated Share Registrars Limited, 1st Floor, Edura, Commissioner Street, Johannesburg 2001 (P.O. Box 61091, Marshalledown 2107), and Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL.

By order of the board  
C. L. MALTBY  
Secretary  
Head Office: 44 Market Street, Johannesburg 2001  
June 5 1984  
London Office: 40 Holborn Viaduct, London EC1P 1LJ

## BIDS AND DEALS

# Beecham bids £6.1m for Copydex

BY ALEXANDER NICOLL

Beecham, the consumer products and drugs group, yesterday made another move in its drive to build up a large home improvement products business, making a £6.1m agreed bid for adhesives maker Copydex.

Copydex shares rose 38p yesterday to 195p, valuing the company at £5.38m, while Beecham shares gained 7p to 322p, valuing it at £2.32bn.

Members of the Copydex founding family—Mr S. D. Ezek and his daughters, Mrs E. D. Ellis and Mrs C. E. Butler—have given irrevocable undertakings to accept the Beecham offer with respect to their entire 50.64 per cent holding, and Copydex directors, who hold 1.83 per cent, have also accepted it.

Beecham plans to combine Copydex with its UHU operation as a base for further expansion in the home improvements area in the UK. In addition to adhesives, Copydex makes do-it-yourself products and floor-covering accessories.

# Dee bid excites strong Booker defence

BY RAY MAUGHAN

Dee Corporation has published its formal offer for Booker McConnell, food distribution and agriculture group, and run into immediate strong opposition.

On this basis, Dee's equity cum loan stock offer rates the target at just over 181p per share which, in normal circumstances would allow Dee to buy Booker shares in the market. For the moment, however, the City Code prohibits any market purchases until Thursday this week.

Booker rests its case for a takeover on four main areas. Its operations are based primarily in the UK and thus offer greater tax efficiency for dividend distribution. Its own profits are growing faster than those of Booker, which "does not have a successful record in food distribution."

Dee's offer is seen as a takeover of a profitable business, "offers a good diversification opportunity."

# OFT studies Lonrho's latest Fraser proposal

BY JOHN MOORE, CITY CORRESPONDENT

THE Office of Fair Trading yesterday was studying Lonrho's new move to appoint four directors to the board of the House of Fraser stores group.

Lonrho is attempting to gain the elections of four directors. They are Mrs Jennifer d'Abbo, chairman of the Ryman group, Mr Alexander Gilmore, a former partner of C. F. Beazley, the stockbroker, Mr George Copus of Standard Chartered Merchant Bank and Mr Ronald Aitken.

London and Manchester Assurance, part of the London and Manchester Group, yesterday bid to take over the insurance company Nineteen Twenty-Eight Investment Trust, which quickly rejected the offer as inadequate.

Exchange listing as an investment trust managed by part of the London and Manchester Group. The insurance company owns 29.6 per cent of 1928 and seeks for another 0.1 per cent. Although it will offer for all of the trust, it plans to limit its holding to 50.2 per cent and to place any shares received above this level.

# William Leech rejects Beazer offer as 'derisive'

BY ALEXANDER NICOLL

William Leech, the Newcastle-based housebuilder, said yesterday that the £15m cash offer from C. H. Beazer (Holdings) represents a "gross undervaluation" of the business and the offer price of 122p per share, against a market price yesterday of 156p, up 12p, is "utterly derisive."

Leech has declared a 50 per cent increase in its interim dividend to 1.5p per share on the back of a profit of £250,000 before tax and extension of its year to August 31, against a loss of £17,000 in the six months to February 1983.

London and Manchester Assurance, part of the London and Manchester Group, yesterday bid to take over the insurance company Nineteen Twenty-Eight Investment Trust, which quickly rejected the offer as inadequate.

Leech said the offer was "being made on the basis of formulae which is significantly worse than any recent offers involving investment trust companies. It is below the net asset value of 1928, and it is below the market price prevailing at the time of the announcement."

# Coleman Milne 'would have lost USM quote'

BY ALEXANDER NICOLL

Coleman Milne, the company which converts Ford Granada cars into limousines, would probably not have lost its quotation on the USM even if its majority shareholder had not offered last week to buy out the remainder.

This was made clear yesterday in the formal offer document covering the agreed bid by Midepsa, an investment subsidiary of Mr Michael Ashcroft's Hawley Group, for Coleman Milne.

Hawley Group and Mr David Wickett's British Car Auctions own a total of 64.23 per cent of Coleman Milne, and Midepsa is buying stakes in several companies in which both Hawley and BCA have taken interests.

Coleman Milne has built up a 13.9 per cent stake in the car-maker Group Car Lotus and a 35.2 per cent stake in the garage

# Granville buys 29.9% of Welsh stockbroker

BY ALEXANDER NICOLL

Granville & Co. licensed securities dealer, has reached agreement to acquire a 29.9 per cent stake in the stockbroking firm R. A. Coleman.

No consideration has been disclosed but will consist largely of an injection of new capital to finance the opening of a London branch office of R. A. Coleman.

R. A. Coleman, a four-partner firm with 10 staff, started operations nearly 40 years ago and is based in Bangor, North Wales.

In a joint statement yesterday with Granville, the stockbroker stressed that the transaction will bring improved access to the London marketplace.

This Advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

### PORTSMOUTH WATER COMPANY

Placing of £4,000,000  
13 per cent Redeemable Debenture Stock, 1994 at £100 per cent  
(Redeemable at par on 30th June, 1994)

Application has been made to the Council of The Stock Exchange for the above Stock to be admitted to the Official List. The Stock will rank for interest *pari passu* with the existing Debenture Stocks of the Company.

In accordance with the requirements of the Council of The Stock Exchange £400,000 of the Stock is available in the market on the date of publication of this Advertisement.

Particulars of the Stock have been circulated in the Exel Statistical Services Ltd., and copies may be obtained during usual business hours on any weekday (Saturdays excepted) up to and including 19th June, 1984, from

Seymour, Pierce & Co.,  
10 Old Jewry,  
London, EC2R 9EA

This Advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

### THE YORK WATERWORKS COMPANY

Placing of £1,000,000  
13 per cent Redeemable Debenture Stock, 1994 at £100 per cent  
(Redeemable at par on 30th June, 1994)

Application has been made to the Council of The Stock Exchange for the above Stock to be admitted to the Official List. The Stock will rank for interest *pari passu* with the existing Debenture Stocks of the Company.

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Seymour, Pierce & Co.,  
10 Old Jewry,  
London, EC2R 9EA

# Laporte

Highlights from the Statement by the Chairman at the Annual General Meeting on June 1, 1984.

- 1984 is continuing in a most satisfactory way....
- Our new businesses are performing superbly, with rapidly increasing importance in profit terms....
- We are achieving our objective: the creation of a major international specialist chemical company, professionally and well managed, with sound and continuing profit growth....

R.M. Ringwald, CBE.

Year	Turnover £m	Pre-tax Profit £m	Earnings per Share
1980	196.5	11.7	5.4
1981	214.7	15.2	10.5
1982	240.8	20.1	18.5
1983	290.2	28.7	30.2

Copies of the 1983 Report and Accounts and of the Chairman's Statement can be obtained from The Secretary, Laporte Industries (Holdings) PLC, 14 Hanover Square, London W1R 0BE.

**LAPORTE** SPECIALIST CHEMICALS AND RELATED SERVICES—WORLDWIDE

SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

Tuesday June 5 1984

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WALL STREET

Hope of Fed tolerance brings spur

A GROWING conviction that the Federal Reserve will feel obliged to take a neutral stance in the credit markets until confidence in the banking system is fully restored, spurred Wall Street financial markets to continue their advance yesterday, writes Terry Byland in New York.
With Dr Henry Kaufman of Salomon Bros sharing this view of Fed options, the bond market quickly rose by a further full point or so in early trading to levels last seen two months ago. Retail interest was, however, somewhat sluggish.
The stock market was in strong form from the outset in heavy trading, and profit-taking was easily absorbed.
The Dow Industrial average closed 7.22 up at 1,131.57.
Beneath the market's optimism, however, was some caution over the sudden easing in bond market rates which stood at 14 per cent as recently as the middle of last week. The Fed's unwillingness to tighten credit policies would last only as long as the nervousness in the banking sector, several leading analysts argued. Underlying economic factors remain, at best, uncertain.

The latest unemployment statistics left Wall Street undecided about the pace of the U.S. economy. Similarly, the latest composite index published by the National Association of Purchasing Managers showed an economy still growing, albeit at a slower rate.
The best effects of the rally in bond prices came in the stock market. A bright start was made to dealings in the new public issue in Reuters, the UK-based news agency and electronic market information group.
Reuters was traded on the Nasdaq over-the-counter market in the form of American Depository Receipts (ADRS).

The closing Wall Street report, updated U.S. market monitors and late Canadian prices were unavailable because of continuing industrial action at the Financial Times' printers in Frankfurt.

with each ADR representing six B shares of Reuters after opening at the predicted level of \$18.50 - the equivalent of \$2.75 a share - the ADRs later traded at \$17.4.
Bank stocks found buyers, although the Fed issued a firm denial of reports that it planned a massive bail-out of the huge Latin American loans which plague the industry.
Less fortunate was Continental Illinois which gave up an early gain of 3/4 to fall 5/8 to \$54 in heavy trading after the Federal Deposit Insurance Corporation disclosed that it had taken control of the bank, which cannot arrange a merger - the favoured solution to its troubles - without FDIC permission.

Industrial sectors found a strong leader in IBM which put on \$1 1/4 to \$109. Also strong were Ford Motor, 3/4 higher at \$38 1/2; General Motors, up 3/4 at \$64 1/2; and General Electric, 3/4 higher at \$53 1/2.
Despite some doubts over the outlook for sales of home computers, technology issues improved. Commodore International at \$28 1/2 gained \$1 1/4 in response to the announced of new models at the international summer consumer electronics show in Chicago.
Also firm were Texas Instruments with a 3/4 gain at \$132 1/2 and, on the American Stock Exchange, Amdahl which on 3/4 to \$12 1/2; Data Products, 3/4 higher at \$19 1/2; and Wang, 3/4 better at \$25 1/2.

But Teledyne fell 3/4 to \$188 1/2 after two brokerage firms assigned it to their "sell" lists.
Treasury bill remained firm behind a federal funds rate which touched 11 per cent before a round of overnight system repurchases by the Fed took the rate down to 8 1/2 per cent.
With 12.5m of short-term bills for auction later yesterday and a further \$8.25bn on Thursday, three-month bill rates edged up to 9.87 per cent, and the six-month to 10.48 per cent. But money market rates fell by five to 15 basis points.

At the longer end, which has a slack funding period ahead, rates fell sharply throughout the range as dealers thankfully unloaded some small portion of their inflated portfolios. The Fed's help at the short end tended to confirm market views of the Fed's predicament, and bond prices extended their gains.
The key long bond added 1 1/2 to 99 1/2 - a level not seen since early March - and the yield dipped to around 13.29 per cent.

EUROPE

Exuberance still not in existence

THE FLOURISH with which British and U.S. stocks ended last week was mirrored only in fairly muted fashion on the European bourses yesterday, and trading activity showed little sign of any marked revival.
The firm but by no means exuberant outcome was the first chance for continental markets to respond to Friday's sharp gains in London and New York, and the prevailing sentiment appeared to be that it would require at least another day or two of decent advances in those two centers before some of the present caution could be set aside.
Domestic bond markets also drew patchy comfort from the composure being re-established on Wall Street, but banking stocks remained unsettled by lingering worries over the burden of world debt.

Frankfurt was buoyed additionally by optimism ahead of talks today aimed at settling the 35 hour week dispute. The Nixdorf offering was a distracting influence, but West German institutions were nonetheless busy as buyers of established issues too.
Nixdorf was later quoted unofficially at a premium of some DM 80 to the DM 380 offer level.
The Commerzbank index rallied 10.8 and just failed to regain its hold on the 1,000 mark, finishing at 999.1. The release of gross national product figures came too late to have any impact.
Banking issues were approached with a close eye on their international exposure. Deutsche Bank managed just a DM 3.40 gain at an ex-dividend DM 351.40, but the more domestically oriented BHF advanced DM 9 to DM 267.
A new DM 2bn 10-year government bond was launched into a strong market, where active trading brought gain on the secondary side of as much as a half

point. The new issue, priced at 100.25 to yield 8.21 per cent, was being quoted at a 1/2 discount but good demand was expected.
The Bundesbank was also able to sell DM 110.6m of existing paper.
Part of a strong Amsterdam result was attributable to an easing of strains within the ruling coalition after the compromise reached on cruise missile deployment. Banks, dull for much of the day, joined the rally late to take ABN FI 3.50 higher at FI 338 after FI 335.50.
Volume remained thin, though, there and in the domestic bond market, where gains extended to 60 basis points.
Moderate Paris progress showed Bouygues FFR 5 up at FFR 646 as it set conditions on any greater involvement in rescuing its Amrep affiliate. Bancaire weakened FFR 3.50 to FFR 481.50.
Zurich had Credit Suisse a further SwFr 5 easier at SwFr 2,185 but UBS up SwFr 20 to SwFr 3,380. On a more favoured industrial side, Nestle recouped SwFr 95 to SwFr 5,010. Domestic bonds in both centres were quietly firmer.
Yesterday's rally did not extend to Brussels. Petrofina, amid oil supply uncertainties, fell BF 270 to BF 8,730. Solvay was a firm spot, putting on BF 100 to BF 4,210 on the chairman's forecast.
Milan featured demand for Dalmine, up L21 to L402 on a Soviet order for steel pipe. After-hours quotations ranged to L405. Treasury certificates drew selective buying.
Volvo's results continued to give a sparkle to Stockholm, and the car maker soared SKR 19 to SKR 504. A strong Copenhagen session allowed Superfos a DKR 21 surge to DKR 466.
Madrid, trading on Monday for the first time - also extending dealing hours to bring it into line with other bourses - was led higher by utilities and foods.

LONDON

Soothing words find response

SOOTHING WORDS about U.S. interest rate trends and the international financial scene found London stock markets in responsive mood yesterday. Leading shares and government stocks sharply extended Friday's technical recovery with the FT Industrial Ordinary share index adding 18.8 to 843.3, so regaining in just two sessions all of the previous account's fall of 48.5.
Gilt-edged stocks were equally strong with selected longer-dated issues, although closing 1/2 below the best, still up 1 1/4 points.
Other factors reassuring both markets and investors were the Confederation of British Industry's optimism on UK inflation and Wall Street's much better performance last Friday.

Late business was coloured by the start of dealings in Reuters, the telecommunications and news agency group, which moved up from 208p to 218p before settling at 212p compared with the 198p striking price.
South African golds and financials also made progress with Anglo-American Corporation up 1/4 to £136 ahead of the interim results, which were not known during market hours.
Chief price changes, Page 30; Details Page 31; Share information service, Pages 32-33.

SOUTH AFRICA

GOLD SHARES closed firmer in Johannesburg but below their best for the day as the bullion price slipped back from the higher weekend levels.
Mining financials mirrored golds with Anglo-American R1 ahead at R23.50 - after a day's high of R23.75 - ahead of annual results which were announced after the market closed.

KEY MARKET MONITORS
Standard & Pooors 500 (Composite)
STOCK MARKET INDICES
NEW YORK
LONDON
TOKYO
AUSTRALIA
AUSTRIA
BELGIUM
CANADA
FRANCE
WEST GERMANY
HONG KONG
ITALY
NETHERLANDS
NORWAY
SINGAPORE
SOUTH AFRICA
SPAIN
SWEDEN
SWITZERLAND
WORLD
GOLD (per ounce)
COMMODITIES

TOKYO

Drug issues offer right medicine

A CONTINUED advance was achieved in Tokyo yesterday as investors flocked to buy some pharmaceutical and related issues following the development of new biotechnology-based drugs for cancer and diabetes, writes Shigeo Nishitaki of Jiji Press.
An early rush of big orders for pharmaceutical issues such as Shionogi and Kuraray triggered a buying spree in drug shares which lasted most of the session.

The Nikkei-Dow market average rose 76.89 to 10,131.68, but trading volume was light at 273.19m shares compared with last Friday's 339.81m.
Calm returned to the market last Saturday in response to a fall in U.S. interest rates, returning the Nikkei-Dow index above 10,000. After the weekend, a relatively optimistic mood prevailed throughout the session.
Shionogi drew strength from news that the company's application to produce a diabetic drug through gene recombination had been approved by the Health and Welfare Ministry. The issue gained the maximum ¥100 to ¥770. Buying orders totalling 84.63m shares at the close far exceeded selling orders at 3.14m shares and sales were allotted to buyers proportionately.

Very high-priced shares attracted small-lot buyers at the opening, but were soon overshadowed by the buying in drug issues. Fanuc put on ¥190 to ¥8,490 and Kokusai Denshin Denwa ¥440 to ¥23,140.
Blue chip issues were much less attractive to investors. Fuji Photo Film finished ¥20 up at ¥1,530, but Hitachi shed ¥8 to ¥939 and Matsushita Electric Industrial ¥20 to ¥1,710.
The bond market staged a sharp rally on Saturday in response to the U.S. movements but succumbed yesterday to a round of small-lot selling by financial institutions. The yield on the benchmark 7.5 per cent long-term government bond, due in January 1993, advanced to 7.43 per cent from Saturday's 7.41 per cent.

AUSTRALIA

THE SHARP improvement which began in Sydney on Friday, after almost a fortnight of steady declines, continued yesterday as gains were again posted across the board in moderately active trading.
The All Ordinaries index added 16.3 with the revival of buying interest attributed to Friday's performance in London and Wall Street, along with the weekend improvement in the bullion price.
Prominent among the gainers was BHP, Australia's largest publicly traded company, which rose 32 cents to AS10 ex-dividend after a day's peak of AS10.10.

CANADA

RENEWED optimism over the outlook for interest rates enabled shares to continue their rally in Toronto with the largest gains seen among stocks which also have New York Stock Exchange listings.
Among the major groups, only retailers resisted the upward trend. Substantial advances were recorded among golds, hydrocarbons and the base metals and minerals sector.
The firmer tone was also seen in Montreal where advances were achieved by utilities, banks and industrials.

Problem no money? Money no problem!
BUSINESS TO BUSINESS EXHIBITION
BARBICAN CENTRE SEMINAR: 'BUSINESS OPPORTUNITIES STARTING IN OR EXPANDING INTO AN ASSISTED AREA.'
Irvine Development Corporation
Irvine

Closing prices June 4

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table of stock closing prices with columns for stock symbols, prices, and changes. Includes sub-sections for 'A', 'B', 'C', 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

Kidder, Peabody Securities Limited

Market Makers in Euro-Securities

An affiliate of Kidder, Peabody & Co. Incorporated. Founded 1865.

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Continued on Page 29

Handwritten signature 'J. J. ...' in a box.

Handwritten scribble at the top center of the page.

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices June 4

Main table of American stock exchange closing prices, organized into columns by stock symbol and price. Includes various stock categories and their respective values.

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table of New York stock exchange closing prices, organized into columns by stock symbol and price. Includes various stock categories and their respective values.

Continued on Page 30

Notes and footnotes explaining the data, including information about dividend dates, interest rates, and other market-related details.

WORLD STOCK MARKETS

Table of world stock markets including Germany, Norway, Australia, and Japan. Columns include stock names, prices, and changes.

OVER-THE-COUNTER

Table of over-the-counter stock prices with columns for stock names, sales, and price changes.

LONDON

Table of London stock market prices and chief price changes for various companies.

CANADA

Table of Canadian stock market prices for Toronto, including various stock listings.

NEW YORK

Table of New York stock market indices and prices, including Dow Jones and S&P 500.

AMERICAN STOCK EXCHANGE CLOSING PRICES

Detailed table of American stock exchange closing prices for various companies.

NEW YORK CLOSING PRICES

Detailed table of New York closing prices for various companies.

Continued on Page 38

Indices

Table of market indices including Dow Jones, S&P 500, and other regional indices.

NEW YORK CLOSING PRICES

Continuation of New York closing prices for various companies.

LONDON STOCK EXCHANGE

MARKET REPORT

RECENT ISSUES

Extension of Friday's sharp rise leaves equity index up 18.8 and Gilts £1 1/4 higher

Account Dealing Dates
Option
First Declared Last Account
Dealings from Dealings Day
May 14 May 21 June 1 June 11

Loys to 53p, while Midland gained 10 to 335p and NatWest advanced 57p; late sentiment was unduly affected by the Fed's reported rumoured half-cut plan for troubled U.S. banks. Elsewhere, Gridways jumped 28 to 165p following a fresh bout of takeover speculation. Hill Finance advanced 21 to 555p after weekend Fress predictions of bumper preliminary profits when the group reports today.

Petroleum concerns were quiet market but the shares edged up to 68p before settling at the placing level of 65p. Leading Bulling's attracted selective support, the Circle firm 6 to 422p and Redland improved 4 to 262p, while Fress rose 8 to 305p, as industries moved up 12 to 300p; the annual results are due on June 27. Recently depressed Barratt Developments rallied 8 to 40p and AEC firm 5 to 208p. Comment on the William Leech/C.R. Reaser bid situation prompted renewed demand for the former which gained 12 to 156p; Reaser rose 9 to 362p. McCarthy and Stone advanced 25 to 435p in a restricted market in response to a newswriter recommendation. In the afternoon, a Suter subsidiary had acquired a 57.9 per cent stake.

A combination of domestic and U.S. demand took ICI up 16 to 575p. Other Chemicals were also firmer with Laporte 12 to 305p and ICI Chemicals and Fertilisers 12 to 305p. Comment on the William Leech/C.R. Reaser bid situation prompted renewed demand for the former which gained 12 to 156p; Reaser rose 9 to 362p. McCarthy and Stone advanced 25 to 435p in a restricted market in response to a newswriter recommendation. In the afternoon, a Suter subsidiary had acquired a 57.9 per cent stake.

Clearers rise
Interest faded in front of the New York bond market opening, which was slightly disappointing. Prices generally edged away from the highest. The 3.30 pm announcement of fresh Government funding was a 2600m issue for four tranches of existing stocks dampened enthusiasm further after-hours and longer-dated Gilts settled around 12 points up, after showing gains of 12 points. Short-term issues also traded briskly and rose as much as 2 1/2 in places. Index-linked stocks joined in the upturn, despite the views of lower inflation.

In the Clearing Banks, Barclays advanced 15 to 468p as did

FINANCIAL TIMES STOCK INDICES

Table with columns: Index, June 4, June 5, May 31, May 30, May 29, May 28, year ago. Rows: Government Secs, Fixed Interest, Industrial, Gilt Index, Ord. Div. Yield, Earnings, P/E Ratio, Total Returns, Squit turnover, Equity Balance, Shares traded.

HIGHS AND LOWS

Table with columns: High, Low, Stock, June 1, June 5. Rows: Govt. Secs, Fixed Int., Ind. Ord., Gilt Index.

S.E. ACTIVITY

Table with columns: Stock, June 1, June 5. Rows: Govt. Secs, Fixed Int., Ind. Ord., Gilt Index.

20 to 145p following a newswriter mention. Stria rallied 13 further to 203p.

After considerable week-end Press comment on AEC's bid approach, British Aerospace followed Friday's gain of 60 with a fresh rise of 11 to 401p awaiting further developments; GEC hardened a couple of pence more to 184p. Thorn EMI, meanwhile, still engaged in merger discussions with Baa, dropped 12 to 535p. Elsewhere, in the afternoon, a Suter subsidiary had acquired a 57.9 per cent stake.

Engineering reflected the more confident air and fresh bid good trading throughout the list. TI put on 10 to 225p, Hawker gained 7 to 430p and Vickers advanced 6 to 459p. John Brown rose 3 to 22p in response to the comment and Spear and Jackson jumped 14 to 150p following comment highlighting bid possibilities. In the afternoon, a Suter subsidiary had acquired a 57.9 per cent stake.

Copydex up on bid
Old U.S. favourites featured the miscellaneous industrial leaders. GKN advanced 25 to 315p, BHP 13 to 460p, Hanson Trust touched 229p before closing a net 15 higher at 227p following Press suggestions that the group might be sold to a foreign operator. Elsewhere, Bees gained 10 to 179p and Reed International rose 12 to 410p in anticipation of today's preliminary results. In the afternoon, a Suter subsidiary had acquired a 57.9 per cent stake.

Secondary issues were high-ighted by a jump of 38 to 199p, after 180p in Copydex following the 200p per share bid from Becham, 7 deater at 322p, after 330p. Weekend Press suggestions of a 200p per share counter-offer to the 180p bid followed. In the afternoon, a Suter subsidiary had acquired a 57.9 per cent stake.

The re-opening of the Johannesburg market after a four-day closure, followed by a recovery in the Middle East Oil and Gas and further strong gains in South African Gilts.

Permeant buying interest boosted prices from the outset. Mary of the leading heavyweights as well as a number of marginals moved up to their best levels of the year, but the upsurge tended to peter out in the early afternoon when light profit-taking was reported.

Bullion performed well to initial buyers, trading around 398p an ounce having touched 395p in New York on Friday night. However, an easier trend subsequently developed and the metal price gave ground to close

company's bid potential saw Frank G. Galet touch 54p before a close of 6 deater on balance at 63p xd.

Profiteers moved higher on early advance and the latter traded quietly at the enhanced levels. Land Securities and MEPC were both quoted ex dividend with the former closing a net 9 up at 262p and the latter finishing 7 1/2 higher at 275p. Iso also dividend was Capital and Couatex, which formed 6 to 185p.

Among generally firm Textiles, Courtauld advanced 5 to 123p xd, while "call" option activity lifted Lister 6 to 65p. Dealers reported heavy turnover among Tobacco and prices closed at the day's best with sentiment bolstered by a bullish review from brokers Wood Mackenzie, which rose 9 to 154p, and Rothmans 7 to 142p, while Bata, recently the subject of a "buy" recommendation from 12 to 222p.

Investment Trusts mirrored the continuing equity recovery and closed with occasional double-digit gains. Tripletop Capital rose 3 1/2 to 498p, while Bishopsgate Trust formed 6 to 199p. Nineteen Twenty-Eight finished 4 1/2 to the good at 157p following the unwelcome partial offer from London and Manchester Assurance. Far Eastern countries showed modest gains. Japanese 1 to 122p and G.T. Japan 9 up at 138p. Financials traded quietly and generally displayed modest gains. Investment Trusts mirrored the continuing equity recovery and closed with occasional double-digit gains.

BP firm
The latest developments in the Iran/Iraq conflict Iran was reported to have launched a major offensive while there were further attacks on shipping in the Gulf. The oil market opened in the leading oil. Thereafter, prices made steady progress before encountering the first major setback in the afternoon. This was quickly shrugged off and the majority of issues closed at or around the day's best levels.

FRIDAY'S ACTIVE STOCKS
Based on bargain recorded in Stock Exchange Official List
Stock changes: Fr. Day's change, Fr. Day's change, Fr. Day's change.

EUROPEAN OPTIONS EXCHANGE
Series, Vol., Aug., Last, Vol., Last, Vol., Last, Stock.

FIXED INTEREST
Table with columns: Index, Day's Change, High, Low, Year Ago.

LONDON TRADED OPTIONS
Table with columns: Option, July, Aug., Sept., Oct., Nov., Dec.

EQUITIES

Table with columns: Issue Price, Amount, Dividend, Stock, Closing Price, Change, High, Low.

FIXED INTEREST STOCKS

Table with columns: Issue Price, Amount, Dividend, Stock, Closing Price, Change, High, Low.

"RIGHTS" OFFERS

Table with columns: Issue Price, Amount, Dividend, Stock, Closing Price, Change, High, Low.

RISES AND FALLS YESTERDAY

Table with columns: Stock, Rise/Fall, Points.

NEW HIGHS AND LOWS FOR 1984

Table with columns: Stock, High, Low.

LONDON TRADED OPTIONS

Table with columns: Option, July, Aug., Sept., Oct., Nov., Dec.

\*Flat yield, High and low record, base dates, values and constituent changes are published in Saturday Issues. All prices of constituents are available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4A 3DF, price 15p, by post 25p.

DECISIVE That's BTR

BRITISH FUNDS

Table of British Funds with columns for Name, Price, and % Chg.

Five to Fifteen Years

Table of funds categorized by 5 to 15 year maturity.

Over Fifteen Years

Table of funds categorized by over 15 year maturity.

Undated

Table of undated funds.

Index-Linked

Table of index-linked funds.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Table of international bank and overseas government sterling issues.

CORPORATION LOANS

Table of corporation loans.

COMMONWEALTH AND AFRICAN LOANS

Table of commonwealth and African loans.

LOANS

Table of general loans.

Public Board and Ind.

Table of public board and industrial loans.

Financial

Table of financial instruments.

FOREIGN BONDS & RAILS

Table of foreign bonds and rails.

FT LONDON SHARE INFORMATION SERVICE

AMERICANS

Table of American stocks.

BEERS, WINES - Cont.

Table of beer and wine stocks.

BUILDING INDUSTRY, TIMBER AND ROADS

Table of building, timber, and road stocks.

DRAPERY & STORES - Cont.

Table of drapery and store stocks.

ENGINEERING - Continued

Table of engineering stocks.

INDUSTRIALS (Misc.)

Table of miscellaneous industrial stocks.

CANADIANS

Table of Canadian stocks.

BANKS, HP & LEASING

Table of bank, HP, and leasing stocks.

CHEMICALS, PLASTICS

Table of chemical and plastic stocks.

DRAPERY AND STORES

Table of drapery and store stocks.

ENGINEERING

Table of engineering stocks.

FOOD, GROCERIES, ETC

Table of food, grocery, and other stocks.

HIRE PURCHASE, LEASING, ETC

Table of hire purchase, leasing, etc.

BEERS, WINES & SPIRITS

Table of beer, wine, and spirit stocks.

DRAPERY AND STORES

Table of drapery and store stocks.

ENGINEERING

Table of engineering stocks.

HOTELS AND CATERERS

Table of hotel and caterer stocks.

HOTELS - Continued

Table of hotel stocks.

HOTELS - Continued

Table of hotel stocks.

INDUSTRIALS (Misc.)

Table of miscellaneous industrial stocks.

HOTELS AND CATERERS

Table of hotel and caterer stocks.

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HOTELS - Continued

Table of hotel stocks.

INDUSTRIALS (Misc.)

Table of miscellaneous industrial stocks.



INDUSTRIALS - Continued

Table of industrial stocks including companies like British Airways, British Petroleum, and various engineering firms. Columns include stock name, price, and percentage change.

LEISURE - Continued

Table of leisure and entertainment stocks including British Skyways, British Telecom, and various media companies.

PROPERTY - Continued

Table of property and real estate stocks including various land and development companies.

INVESTMENT TRUSTS - Cont.

Table of investment trusts including various funds and trusts offering different asset classes.

OIL AND GAS - Continued

Table of oil and gas stocks including various energy and exploration companies.

NOMURA INTERNATIONAL LIMITED NEW-ERA INVESTMENT AND UNDERWRITING OFFICES WORLDWIDE 3 GREECHURCH STREET EC3V 0AD Telephone (01) 283 8811

MINES - Continued

Table of mining stocks including various metal and coal mining companies.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including various automotive and aerospace companies.

Commercial Vehicles

Table of commercial vehicle stocks including various truck and van manufacturers.

Components

Table of component stocks including various parts and accessories manufacturers.

Garages and Distributors

Table of garage and distributor stocks including various service and retail companies.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publishing stocks including various media and information companies.

PAPER, PRINTING ADVERTISING

Table of paper, printing, and advertising stocks including various media and service companies.

INSURANCES

Table of insurance stocks including various life, fire, and general insurance companies.

Motors and Cycles

Table of motor and cycle stocks including various automotive and motorcycle companies.

Commercial Vehicles

Table of commercial vehicle stocks including various truck and van manufacturers.

Components

Table of component stocks including various parts and accessories manufacturers.

Garages and Distributors

Table of garage and distributor stocks including various service and retail companies.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publishing stocks including various media and information companies.

PAPER, PRINTING ADVERTISING

Table of paper, printing, and advertising stocks including various media and service companies.

INSURANCES

Table of insurance stocks including various life, fire, and general insurance companies.

SHIPPING

Table of shipping stocks including various maritime and logistics companies.

SHOES AND LEATHER

Table of shoes and leather stocks including various footwear and leather goods companies.

SOUTH AFRICANS

Table of South African stocks including various companies from that region.

TEXTILES

Table of textile stocks including various clothing and fabric manufacturers.

TOBACCO

Table of tobacco stocks including various tobacco and cigarette companies.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including various investment and service companies.

PROPERTY

Table of property stocks including various real estate and land development companies.

FINANCE, LAND, ETC

Table of finance, land, and other stocks including various investment and service companies.

TOBACCO

Table of tobacco stocks including various tobacco and cigarette companies.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including various investment and service companies.

PROPERTY

Table of property stocks including various real estate and land development companies.

PLANTATIONS

Table of plantation stocks including various agricultural and land management companies.

OVERSEAS TRADERS

Table of overseas trader stocks including various international trade and service companies.

TEAS

Table of tea stocks including various tea and beverage companies.

MINES

Table of mining stocks including various metal and coal mining companies.

CENTRAL RAND

Table of Central Rand mining stocks including various metal and coal mining companies.

EASTERN RAND

Table of Eastern Rand mining stocks including various metal and coal mining companies.

FAR WEST RAND

Table of Far West Rand mining stocks including various metal and coal mining companies.

MINES - Continued

Table of mining stocks including various metal and coal mining companies.

NOTES

Notes and footnotes providing additional information and disclaimers regarding the data presented in the tables.

REGIONAL & IRISH STOCKS

Table of regional and Irish stocks including various companies from those areas.

OPTIONS - 3-month call rates

Table of 3-month call option rates for various stocks and indices.

DIAMOND AND PLATINUM

Table of diamond and platinum stocks including various precious metal companies.

CENTRAL AFRICA

Table of Central Africa stocks including various companies from that region.

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Tr. Mgrs., Abbey Unit Tr. Mgrs. (2), Abbey Unit Tr. Mgrs. (3), etc., with columns for name, manager, and other details.

FT UNIT TRUST INFORMATION SERVICE

Main table of unit trusts including Crown Unit Trust Services Ltd., Gwyneth Unit Trust Mgrs. Ltd., Legal & General (Unit Tr. Mgrs.) Ltd., etc., with columns for name, manager, and performance data.

Insurances - continued

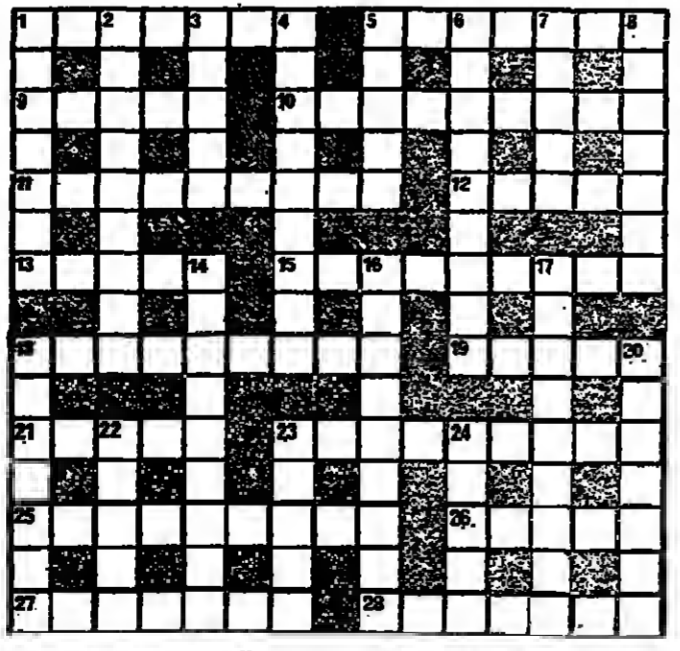
Table listing insurance companies and their details, including Albany Life Assurance Co Ltd, Allianz, etc.

Offshore & Overseas - continued

Table listing offshore and overseas investment funds, including Aetna Investment Fund SA, Alliance Capital Management Ltd, etc.

F.T. CROSSWORD PUZZLE No. 5,433

- ACROSS
1 Garment paid for on receipt in Massachusetts (4, 3)
5 Instrument of torture set out for the game (7)
9 A lightweight feline (5)
18 A classic dream once shattered (9)
11 Floral trophy at the Dairy Show? (9)
12 A trio bent on making a relationship (5)
13 Gave a straight decision? (5)
15 Dump nitre around in a careless way (9)
18 There's a lot to be said for having it (9)
19 Funny to see a number walk like sailors (5)
21 A bench to put in the sun (5)
23 Possibly lamenting getting into a row (9)
25 Excellent form produced by fitness? (4, 5)
27 Cheap variety of fruit (5)
27 It may need a jack up before being repaired (7)
28 The men who count in banking (7)
DOWN
1 It gives lift when a fier comes to an obstacle (4-3)
2 Formality may be unpolitic (9)
3 Material for Suzette? (5)
4 Toking away Sherlock Holmes' secret of success (9)
5 Short form of summary (5)



6 Be persuaded to call (4, 5)
24 Plane crash in Asia (5)
Solution to Puzzle No. 5,432
SHEPHERD'S PIVETS
A
B
C
D
E
F
G
H
I
J
K
L
M
N
O
P
Q
R
S
T
U
V
W
X
Y
Z

Money Market Trast Funds

Table listing money market trust funds, including Royal Albert Bank, Whidder Life Assurance Co Ltd, etc.

Money Market Bank Accounts

Table listing money market bank accounts, including Altkan Hums, Treasury Ac, etc.

INSURANCE & OVERSEAS MANAGED FUNDS

Table of insurance and managed funds, including entries for Barclays Life Ass., Standard Life Assurance Co. Ltd., and various international funds.

Table of insurance and managed funds, including entries for Sun Alliance Insurance Group, Prudential Assurance Co., and various international funds.

Table of insurance and managed funds, including entries for Bank of America International S.A., Sun Life of Canada (UK) Ltd., and various international funds.

Table of insurance and managed funds, including entries for Sun Life of Canada (UK) Ltd., Sun Life of Canada (UK) Ltd., and various international funds.

OFFSHORE AND OVERSEAS

Table of offshore and overseas managed funds, including entries for Sun Life of Canada (UK) Ltd., Sun Life of Canada (UK) Ltd., and various international funds.

NOTES: Prices are in pence unless otherwise indicated and those denominated in dollars refer to U.S. dollars. All prices are as at the close of business on the day of publication. A dividend payable on the day of publication is shown in brackets. Dividends are shown in pence unless otherwise indicated. Dividends are shown in pence unless otherwise indicated. Dividends are shown in pence unless otherwise indicated.

COMMODITIES AND AGRICULTURE

Copper prices fall sharply

BY RICHARD MOONEY

COPPER prices fell sharply on the London Metal Exchange yesterday, reflecting sterling's strength against the dollar...

After easing early in the day on what dealers described as "a state bull market" prices steadied on light covering purchases...

When the stocks return was released, however, it showed a fall of only 1,025 tonnes to 231,775 tonnes...

which led to the three-months premium widening by £2 to £19.75 a tonne.

The cash higher grade position closed at £1,010 a tonne, down £18.50 from Friday.

When the stocks return was released, however, it showed a fall of only 1,025 tonnes to 231,775 tonnes...

Ambush of milk tanker condemned

FARMERS leaders yesterday condemned the ambushing of a milk tanker by two hooded men in a quiet West Wootton lane.

The incident, near Red Roses, in Dried, at luncheon on Sunday, is thought to be linked to dairy farmers' protests over EEC cuts in milk production...

The National Farmers' Union in Wales said yesterday: "If this incident has anything to do with the campaign by dairy farmers..."

Heat, sheep and solitude beyond the black stump

BY ANTHONY MORITON, RECENTLY IN COMMONWEALTH HILL, SOUTH AUSTRALIA

MARCUS MOORE manages the largest sheep station in the world. His farm, in the northern reaches of South Australia, covers 2.5m acres...

Heat does he worry about the sheep? "I can remember the time when the temperature did not drop below 100 deg F in the shade for 21 consecutive days..."

What concerns him is that loom dry spells suck up the water in the ground. Water is his great concern.

Mr Moore, who is 34 and has been working in the bush since he was 18, looks after 50,000 sheep, producing the finest quality wool in the world.

for the rest, the land is covered with blue bush, a small eucalypt bush, mulga trees, about the size of a hawthorn, and a sparse, wiry brown grass...

His two main problems are heat and water. The heat does he worry about the sheep? "I can remember the time when the temperature did not drop below 100 deg F in the shade for 21 consecutive days..."

Mr Moore, who is 34 and has been working in the bush since he was 18, looks after 50,000 sheep, producing the finest quality wool in the world.

Mr Moore, who is 34 and has been working in the bush since he was 18, looks after 50,000 sheep, producing the finest quality wool in the world.

climate and terrain the business is profitable. The total clip from his present flock amounts to about 1,500 bales which at \$500 the gross is \$750,000 (\$500,000).

Mr Moore's main outlay is on staff. Wages start at around \$220 (£130) a week, low by Australian standards, and may rise to \$400 but in addition the station finds all keep and housing.

Despite the privations and loneliness there is no shortage of applicants to work as a Jackaroo. Most of the staff are single men, though I have five married couples. I get at least a couple of calls a week from people wanting to get away from city life.

It is not possible to get much further away than Commonwealth Hill. When Moore takes his fence out to work on a Monday morning the fence will not see anyone until he returns to camp on his motor bike on a Friday evening.

She was making arrangements to meet neighbours for a discussion on educating children in the bush. The meeting, at a neighbour's house, was to be held 92 miles away.

"No, we don't get lonely," she says. "We get lots of people dropping in on us. And we're so busy there's no time to think of loneliness."

It is not possible to get much further away than Commonwealth Hill. When Moore takes his fence out to work on a Monday morning the fence will not see anyone until he returns to camp on his motor bike on a Friday evening.

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Sabah cocoa group formed

KOTA KINABALU, MALAYSIA —The Sabah Cocoa Dealers Association, formed last week...

The association will attempt to devise its own cocoa agreement to replace the London-based International Cocoa Agreement...

Dealers were avoiding shipments to Amsterdam and Hamburg because they lost 2m ringgit (\$827,000) in discounts last year to buyers there...

Malaysia's federal agricultural marketing authority is sponsoring the conference in October.

about 250 per tonne in group three of the London grading system. Malaysia's largest cocoa-growing state, exported 30,000 tonnes of cocoa last year.

In Abidjan, Mr Denis Bra Kanon, the Ivory Coast agricultural Minister, said last month's Geneva talks on a new international cocoa pact made important progress...

He said failure to reach agreement was mainly due to lack of time. Further important progress could be made if producers and consumers made constructive use of the time between now and the next negotiating conference in October.

Malaysia's federal agricultural marketing authority is sponsoring the conference in October.

Financial futures cleared of 'negative impact' charges

BY NANCY DUNNE IN WASHINGTON

NO SUBSTANTIVE basis exists for the belief that financial futures trading has a negative impact on capital markets, according to a study published last week by Columbia University's centre for the study of futures markets.

The seven-volume study, financed by four futures exchanges for \$250,000, will be followed by similar studies on underwriting by the Federal Reserve Board, Commodity Futures Trading Commission (CFTC) and Securities Exchange Commission.

The concept of financial trading was diverting funds from productive investment in securities was expressed during the 1982 congressional hearing on the re-authorization of the CFTC.

Since the capital markets are the market for the study of futures markets. The seven-volume study, financed by four futures exchanges for \$250,000, will be followed by similar studies on underwriting by the Federal Reserve Board, Commodity Futures Trading Commission (CFTC) and Securities Exchange Commission.

The concept of financial trading was diverting funds from productive investment in securities was expressed during the 1982 congressional hearing on the re-authorization of the CFTC.

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formation role in the U.S. capital markets processes because the dollar volume of new stock issues represents a trivial percentage of total U.S. capital formation.

Capital formation in the U.S. is dominated by large firms... and their capital market access will be clearly helped and not hindered by the futures markets, the study said.

It added that new issue markets do not play an important role in the U.S. capital markets processes because the dollar volume of new stock issues represents a trivial percentage of total U.S. capital formation.

Move to boost coffee supplies

LONDON — International Coffee Organisation (ICO), producing and consuming countries...

are discussing separately how to increase coffee availability under the current quotas. Producers consider the July-September quota should be released immediately...

That there is no more substantial regulation of securities trading than futures trading.

The regulatory emphasis applied by the CFTC to review or new contract applications should be changed to ensure that a contract is not vulnerable to manipulation.

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The regulatory emphasis applied by the CFTC to review or new contract applications should be changed to ensure that a contract is not vulnerable to manipulation.

That there is no more substantial regulation of securities trading than futures trading.

PRICE CHANGES

Table with 4 columns: Commodity, June 4 1984, + or -, Month ago. Includes metals like aluminum, copper, zinc, tin, and various grades of oil.

BRITISH COMMODITY PRICES

Table with 4 columns: Commodity, June 4 1984, + or -, Month ago. Includes base metals like copper, tin, lead, zinc, and grains like wheat, barley, oats.

AMERICAN MARKETS

Table with 4 columns: Commodity, June 4 1984, + or -, Month ago. Includes various metals and oils.

INDICES

Table with 4 columns: Index Name, June 1, June 2, June 3, June 4. Includes financial indices like S&P 500, Nikkei, etc.

LONDON OIL

Table with 4 columns: Oil Grade, June 4 1984, + or -, Month ago. Lists various grades of oil like Brent, North Sea, etc.

PRODUCTS — North West Europe

Table with 4 columns: Product, June 4 1984, + or -, Month ago. Includes various industrial products.

BASE METALS

Table with 4 columns: Metal, June 4 1984, + or -, Month ago. Lists aluminum, copper, tin, lead, zinc, etc.

SILVER

Table with 4 columns: Silver Price, June 4 1984, + or -, Month ago.

COPPER

Table with 4 columns: Copper Price, June 4 1984, + or -, Month ago.

RUBBER

Table with 4 columns: Rubber Price, June 4 1984, + or -, Month ago.

NEW YORK

Table with 4 columns: Commodity, June 4 1984, + or -, Month ago.

CHICAGO

Table with 4 columns: Commodity, June 4 1984, + or -, Month ago.

GOLD MARKETS

Table with 4 columns: Gold Price, June 4 1984, + or -, Month ago.

LONDON FUTURES

Table with 4 columns: Commodity, June 4 1984, + or -, Month ago.

LEAD

Table with 4 columns: Lead Price, June 4 1984, + or -, Month ago.

ZINC

Table with 4 columns: Zinc Price, June 4 1984, + or -, Month ago.

GRAINS

Table with 4 columns: Grain Price, June 4 1984, + or -, Month ago.

SUGAR

Table with 4 columns: Sugar Price, June 4 1984, + or -, Month ago.

MEAT/FISH

Table with 4 columns: Meat/Fish Price, June 4 1984, + or -, Month ago.

SOYABEAN MEAL

Table with 4 columns: Soyabean Meal Price, June 4 1984, + or -, Month ago.

EUROPEAN MARKETS

Table with 4 columns: Commodity, June 4 1984, + or -, Month ago. Includes various European market commodities.

ALUMINIUM

Table with 4 columns: Aluminum Price, June 4 1984, + or -, Month ago.

WHEAT

Table with 4 columns: Wheat Price, June 4 1984, + or -, Month ago.

BARLEY

Table with 4 columns: Barley Price, June 4 1984, + or -, Month ago.

COTTON

Table with 4 columns: Cotton Price, June 4 1984, + or -, Month ago.

JUTE

Table with 4 columns: Jute Price, June 4 1984, + or -, Month ago.

Wool Futures

Table with 4 columns: Wool Futures Price, June 4 1984, + or -, Month ago.

PIGMEAT

Table with 4 columns: Pigmeat Price, June 4 1984, + or -, Month ago.

ROTTERDAM

Table with 4 columns: Rotterdam Prices, June 4 1984, + or -, Month ago.

PARIS

Table with 4 columns: Paris Prices, June 4 1984, + or -, Month ago.

AMSTERDAM

Table with 4 columns: Amsterdam Prices, June 4 1984, + or -, Month ago.

BRISBANE

Table with 4 columns: Brisbane Prices, June 4 1984, + or -, Month ago.

SINGAPORE

Table with 4 columns: Singapore Prices, June 4 1984, + or -, Month ago.

HONG KONG

Table with 4 columns: Hong Kong Prices, June 4 1984, + or -, Month ago.

MELBOURNE

Table with 4 columns: Melbourne Prices, June 4 1984, + or -, Month ago.

AUCKLAND

Table with 4 columns: Auckland Prices, June 4 1984, + or -, Month ago.

THE LONDON COMMODITY EXCHANGE is a limited liability company registered in England. Its principal office is at 25 Abchurch Lane, London EC4A 3DF. It is a member of the International Chamber of Commerce and the International Association of Agricultural Producers.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and sterling decline

A downward trend in interest rates was the major factor influencing the foreign exchange market yesterday. The recent upward move in London money market interest rates suddenly changed as a result of suggestions that the Federal Reserve was encouraging an easing of New York rates. This depressed both the dollar and sterling, despite a fairly firm undercurrent to the pound because of the continuing tension in the Gulf.

1.4940 to 1.3865. May average 1.3003. Trade-weighted index 79.5 against 79.6 at noon, 79.9 at the opening, 79.5 at Friday's close, and 82.9 six months ago.

London interbank interest rates had already fallen sharply when the Prime Minister made the comment about there being no reason for UK interest rates to rise. Sterling touched its peak of \$1.4940-1.4900 around mid-morning, but fell below \$1.4000 in the afternoon to a low of \$1.3865-1.3900 on hopes that UK bank base rates will not rise this week despite expectations of disappointing money supply figures.

The dollar fell to DM 2.6670 from DM 2.6850 against the D-Mark; FFR 8.1590 from FFR 8.2025 against the French franc; SFrF 2.2255 from SFrF 2.2315 against the Swiss franc; and ¥229.65 from ¥230.10 against the Japanese yen.

EMS EUROPEAN CURRENCY UNIT RATES table with columns for currency, unit, % change, and divergence.

FIRMER TREND

Prices were marked sharply firmer in the London International Financial Futures Exchange yesterday. Sentiment improved against a background of lower U.S. interest rates and market conviction that the Federal authorities may have difficulties to push rates any further in view of recent troubles in the U.S. banking system.

THE POUND SPOT AND FORWARD

Table showing pound spot and forward rates for various currencies including U.S., Canada, and others.

OTHER CURRENCIES

Table listing other currencies such as Argentine peso, Australian dollar, and others with their respective rates.

THE DOLLAR SPOT AND FORWARD

Table showing dollar spot and forward rates for various currencies including U.S., Canada, and others.

CURRENCY MOVEMENTS

Table showing currency movements for various currencies including Sterling, U.S. dollar, and others.

CURRENCY RATES

Table showing currency rates for various currencies including Sterling, U.S. dollar, and others.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies including Pound Sterling, U.S. Dollar, and others.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates for various currencies including Sterling, U.S. Dollar, and others.

DISCOUNT HOUSES DEPOSIT AND BILL RATES

Table showing discount houses deposit and bill rates for various currencies including Sterling, U.S. Dollar, and others.

MONEY RATES

Table showing money rates for various currencies including Sterling, U.S. Dollar, and others.

MONEY MARKETS

A large shortage of day-to-day credit in the London money market caused very few problems for the authorities yesterday. It was the abundance of liquidity for most of the week that helped to prevent pressure building too strongly, despite general expectations of an early rise in clearing bank base rates.

SHARP FALL IN LONDON RATES

Opinion that base rates are now unlikely to rise, as rates to the U.S. decline, because of threats to the banking system caused by third world debt.

NEW YORK (Lunchtime)

Table showing New York market rates for various currencies including Sterling, U.S. Dollar, and others.

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing rates for various currencies including Sterling, U.S. Dollar, and others.

MONEY RATES

Table showing money rates for various currencies including Sterling, U.S. Dollar, and others.

NEW YORK (Lunchtime)

Table showing New York market rates for various currencies including Sterling, U.S. Dollar, and others.

FINANCIAL FUTURES

Table showing financial futures prices for various currencies including Sterling, U.S. Dollar, and others.

YOUR COMPANY IMAGE advertisement featuring Exoco and BP logos, promotional gifts, and contact information for Manhattan-Windsor.

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Prime Account P.O. Box 125 Northampton NN1 1SU Prime Account Interest rate 8.07% nominal 9.04% APR

Legal Notices

IN THE MATTER OF THE COMPANIES ACT 1948 PEARLCOAT LIMITED NOTICE IS HEREBY GIVEN Pursuant to Section 253 of the Companies Act 1948 that a MEETING of the CREDITORS of the above-named Company will be held at 11.30 a.m. on MONDAY, 18th JUNE 1984 at the King's Head Hotel, Harrow-on-the-Hill, Middlesex.

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WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on the date of publication. Rates are expressed in terms of the pound sterling.

Large table showing world value of the pound with columns for Country, Currency, Value of £ Sterling, and Value of £ Sterling.

\* Rate is the transfer market (continued). † New one-official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (S) Based on gross rates against Russian rouble. (E) Essential goods. (P) Preferential rate for priority imports such as foodstuffs. (N) Non-essential imports and private sector applicant. (A) Preferential rate for public sector debt and essential imports. (R) Preferential rate. (F) Free rate for luxury imports, remittances of money abroad and foreign travel. (T) Parallel rate. (B) Rate for remittances of foreign currency by Egyptian working abroad. (C) Banknote rate.

OVER-THE-COUNTER

Table with multiple columns for stock prices, including 'Continued from Page 30', 'Stock', 'Sales (thous)', 'High', 'Low', 'Last', 'Chg', and various stock symbols like 'Mitsui', 'Nippon', 'Fuyo', etc.

CAPITAL MARKETS

Market sees launch of issues worth \$360m

BY MARY ANN SIEGHART IN LONDON

A SHARP mark-up in Eurodollar bond prices opened a new issue window in the dollar sector yesterday, where four bonds totalling \$360m were launched. The largest came from Industrial Bank of Japan, which is raising \$125m, the proceeds of which will be swapped into floating rate dollars at a rate well below the London interbank offered rate (Libor). It has a 13 1/2 per cent coupon at a price of par and a seven-year life. Lead managers are IBJ International with Manufacturers Hanover, Bankers Trust and Morgan Stanley. Probably because IBJ is one of the few banks with a triple-A credit rating, the bond was extremely popular, trading at a 1/4 point discount by the end of the day. Genossenschaftliche Zentralbank, the Austrian bank, launched a \$100m seven-year bond with a 14 per cent coupon at par. Morgan Stanley is leading the deal with three yet-to-be-named co-lead managers. This bond also involves an interest rate swap, which may explain its rather tight pricing. However, the rally in the secondary market buoyed up all the day's new issues, and this one traded at a 1/4 per cent discount, outside its selling concession, but just within the total fees. Nikko Securities is raising \$60m on its own behalf through a two-tranche convertible. The first \$30m portion is for 10 years and the other has a 15-year life. Both carry a 9 1/2 per cent coupon at par and will be convertible into Nikko shares at a 5 per cent premium. Nikko is leading both deals with Credit Suisse First Boston and Deutsche Bank on the first tranche and Morgan Stanley and S.G. Warburg on the second. Societe Financiere Europeenne launched its Asian dollar floating rate note, increased over the weekend and from \$50m to \$75m. Lead manager Sumitomo Finance hopes to place most of the issue in Asia and Australia. It has a seven-year life and a coupon of 1/2 per cent over six-month Libor at par. Yesterday it was trading at a 1/8 per cent discount, within its 1/8 per cent total fees. Prices were marked up sharply in the dollar secondary market yesterday morning after the New York market closed strongly on Friday night. Some professional short-covering was in evidence and price closed the day up about 1 point. Though turnover was high, there was apparently little retail interest. Merrill Lynch said yesterday it expected to be able to sell the paper in the market at a yield of 20 to 30 basis points above Libor. It had achieved a similar yield on sales from a smaller tap issue of Euro-notes launched by TWA earlier this year.

BNF Bank bond average table with columns for June 6 1984, 1984, and Previous, and rows for High, Low, and 100.000.

TWA faces tests for \$100m facility

TRANS WORLD Airlines is raising \$100m through a five year revolving Euro-note facility led by Merrill Lynch, its first major international borrowing since the company was spun off from Trans World Corporation last February. The facility is the latest in a string of such operations for corporate borrowers in the Euromarkets, but it bears a number of unusual features. Underwriters, who will receive an annual fee of 1/2 per cent through Merrill Lynch, which will purchase them at a discount equivalent to a yield of 1/2 per cent over London interbank offered rates (Libor) for Eurodollars. Merrill Lynch said yesterday it expected to be able to sell the paper in the market at a yield of 20 to 30 basis points above Libor. It had achieved a similar yield on sales from a smaller tap issue of Euro-notes launched by TWA earlier this year. The company has said it has no current plans to draw on the facility, but if it does so it will offer three month Eurodollar in the market.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for June 4.

Large table of international bond issues with columns for country, issue name, amount, bid, offer, yield, and price. Includes sections for US BONDS, OTHER STRAIGHTS, STRAIGHTS, CONVERTIBLE, and SWISS BONDS.

Korean opens another gate to Seoul.



From 21st June every Thursday, a Korean B747 departs from Frankfurt direct to Seoul.

Now, for the first time, there's a direct flight from Frankfurt to Seoul\*. Leaving every Thursday at 12H20, it arrives in Seoul (via the Polar Route) on Friday 16H40. Enjoy typical Korean hospitality all the way. From Seoul, convenient and frequent flights to Tokyo, Osaka, Taipei, Hong Kong and other major cities in Japan and S.E. Asia. Alternative departures to Seoul from Paris every Thursday and Saturday or from Zurich every Wednesday and Sunday. \* In collaboration with Lufthansa.

